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EDITORIAL

As we are moving ahead, market forces are playing a strategic role in the growth process. The recent worldwide depression, stock market crashes and high rate of inflation in Indian company do not show any clarity for the policy makers. Accounting have to play an important role in this area. Presidential address delivered by President, Indian Accounting Association has identified opportunities and challenges for accounting teachers and practitioners. Current issues of global taxation were analysed by Dr. Arvind Kumar and Pushpendra Misra. The issue of corporate environmental accounting and reporting in Bangladesh was discussed. Specific gaps were also identified by Nikhil Chandra Shil and Alok Pramanik. An empirical study in status of accounting researches was conducted by K.V. Ramana Murthy and Vanisree Talluri. As the role of commercial banks is becoming more and more important, a study to assess the impact of Basel II on the reporting practices of Indian Commercial Banks has also been made. Case study of SBI was also analysed by D. H. Srinivas and K. Rao. The issue has also included a few other important issues raised by accounting scholars to address the complex environmental scenario of the country.

Professor Nageshwar Rao
Chief Editor

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PRESIDENT'S SPEAKS

I am honoured and privileged to serve as president of the Indian Accounting association for the year 2009, and convey my gratitude to the members for the confidence reposed in me. At the same time I seek your co-operation in elevating the association to greater heights. Friends, in the present times the discipline of accounting is passing through a very exiting and challenging phase. The year 2011 will be a milestone in global standard setting when about 150 countries (including India) around the world would have adopted International Financial Reporting Standards (IFRS) and the distance between the US GAAP and IFRS would have been reduced from miles to probably feet and inches. The Institute of Chartered Accountants of India has taken a number of steps in this direction, but they are directed primarily at one segment only. You would all probably agree with me that as a national body of accounting intellectuals we have an important role to play in creating awareness and understanding of IFRS amongst faculty and students. May I therefore request all the chapters of IAA to organize workshops on the knotty issues that the country would confront on the path to convergence. I would be glad to be of any assistance.

You will recall that at Ahmedabad a proposal was put forward to organize a nationwide accounting competition for undergraduate students under the banner of the IAA, which was accepted in principle by the General Body. Further, a Committee comprising of the President and Secretary of IAA and Prof. Eresi (Bangalore University) and Prof. S.C.Jain (formerly University of Rajasthan) was constituted to formulate the necessary guidelines for the same. I am pleased to inform you that the decision has made steady progress, thanks to the efforts of Prof. Soral and his team and the first competition is scheduled for 22nd February 2009. Kindly visit the website 'ACCOUNTINGTALENT.ORG. and encourage your students to participate in the competition. Besides citation and trophy, there are monetary awards to be won. Prof. Banerjee and his team deserve to be congratulated on successfully organizing the 9th International Accounting Conference of the Indian Accounting Association Research Foundation at Kolkata on the 3-4th Jan 09, wherein the Keynote address was delivered by the President European Accounting Association.

The recent Satyam Computer Services scam only reinforces the need to integrate ethics into accounting education, particularly at the post graduate and professional levels.

I take this opportunity to wish you all a very Happy, academically fruitful and prosperous 2009. Do start contemplating on preparation of good research papers for the annual conference in Gwalior to make it a grand success.

Your suggestions and observations are solicited, my e mail id being

shirin_rathore@hotmail.com

Dr. Shirin Rathore
President
Indian Accounting Association
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OPPORTUNITIES AND CHALLENGES FOR ACCOUNTING TEACHERS AND PRACTITIONERS

**K.V. Achalapathi*

Thanks to the revolutionary changes in informational technology, people anywhere in the world, can know about the changes throughout the Globe in a fraction of a minute. Accordingly, responses also flow as fast as the news. Actions and reactions of human beings for the fast changing world would make the environment more turbulent. We believe that, Adaptability to the changing environment is the key behind the success. The changes in the world are many. Let us discuss in detail about a few changes.

1. Financial Crisis in US

Just before the Presidential elections in US, the big financial crisis due to failure of Banks to recover the home loans has into the limelight. While good number of stories appeared in the news papers for the causes of failure, following are agreed by many as the root cause:

- Lending sub prime loans to the individuals beyond their capacity to pay back
- Insuring those loans, securitizing the insured loans through spreading the risk to investors throughout the world by selling the collectable loans at much inflated market rate
- Offering the securitized houses seized for sale by banks in the markets
- Inability of basic fundamental real sector to with stand highly inflated market rates and subsequently, fall in the real estate prices, inability of the banks to recover the money even through the sale of assets and the collapse of banks.
- Inability/ Misadministration of Credit Rating agencies to assess the borrower's capacity as well as the banks
- People's strong belief in "Efficient market hypothesis and the ignorance of fundamental and technical analysis before investing in securities"
- Greed among the people for fast/ high profits
- Exploitation of ignorant by the Intelligent people through inside trading, inside information
- Inability of the Regulators to understand the Innovative Financial Instruments including Financial derivatives

**President, Indian Accounting Association, delivered his presidential address at Ahmedabad in Nov. 2008.*

- Lack of Transparency in the Corporate governance - Inability to take action on erring firms like Enron

In essence, it can be said that high growth in financial sector beyond the rate of growth in the real sector and high consumption motivated by greed among people are attributed to be the main causes. However people in US are looking for a change in the environment which is reflected in electing an Afro-American Democrat as President of US.

2. Chinese Aggression in World Trade

China through a well orchastrated strategy focused initially on Agricultural growth and equity, developed minimum sustenance of the country through controlled economy. Later in 70s, adopting unbalanced growth strategy of Ragnar Nurkse, identified 7 growth centers which have centrifugal and centripetal forces at their favor, without facing the land acquisition problem (entire land being the State Land, there were only displacements of people) recognized them as Special Economic Zones and Foreign Investments were invited by sanctioning all privileges beyond the privileges offered to ordinary citizens in other places. Subsequently, the economic growth in those zones was increased to 17 percent to-20 percent and for more than a decade more than 10 percent growth rate was maintained. The benefits of higher growth rates in Special Economic Zones (SEZs), was utilized for extending benefits for other areas. The focus of China at International Trade was also on Free Trade not Fair Trade. There have been complaints to WTO about the Dumping of goods by China in their countries, complaints that human rights, labor union demands, environmental rules were not followed. Through out the world including US, there is feeling that manufacturing sector of China is penetrating in to their markets at cheaper rates sometimes at the cost of fair international trade also. Some more facts about china

- 1500 Universities are sanctioned within a span of 3 years in china
- English communication skills are being developed for young Chinese
- Hard ware for computers is well encouraged and now started concentrating on soft ware development as well.
- One child norm facilitated the betterment of economic status of the Poor
- The country is prepared to face the Dynamics of WTO before the country signed the agreement

In essence, it can be said that Chenery Model of Economic Growth is well followed by strengthening Agricultural economy through out the country, selective growth of areas for developing manufacturing sector and preparing Service sector for undertaking international level competition especially in Software.

3. Increasing Violence in the World

While the Violence was confined in the name of wars among the Cold war countries in the seventies and eighties, it got percolated in each and every corner of the world today. Ethnic, regional, racial, caste, religion, gender and generational intolerances are reaching the peak through out the world. While there are many reasons for this, few reasons accepted by many are listed below:

- Deprived classes, who had no voice earlier, thanks to the media projections, started revolting and the oppression is no more tolerated. It could be a positive sign. It could be the revolt of female gender, deprived castes, deprived tribes, and deprived regions. The dominant sections are yet to accept this questioning; resulting in violence.
- Greed among the people to grab the natural resources for themselves, initiating land conflicts, river conflicts, forest conflicts, and recently public sector employment conflicts.
- Terrorism, in the name of religion and regionalism, is inviting counter terrorism tendencies
- Assertive people among the poor are able to question the political class for privileges; Political Leaders are wooing the voters through populist measures at the cost of Tax payers and the competition among them is increasing. Actions and reactions of Political parties in wooing different categories of people are leading to conflicts and tensions

In essence, common man through out the world, Indian in particular, became more assertive of his rights with no responsibility to own duties are resulting in intolerant attitude resulting in violence. The behavioral change can be termed philosophically from a stage of Tamo Guna (Drowsy stage) to Rajo Guna (Dynamic stage).

4. Adaptive Policies of India

Indian Economy, impressed by the fast development of USSR, followed the Mahalonobis Model of development since II five year plan till later eighties. Thanks to the revelation of Stagflation situation by Isher Judge Ahluwalia and Deepak Nayyar, it started moving towards liberalizing the controlled economy.

- During seventies, due to change in patents act towards the process patents in place of product patents, second generation drugs were manufactured in large numbers
- During eighties, through collaborative arrangements, mass production of wearing apparels, consumer durables were manufactured
- During nineties, thanks to economic crisis, Narasimha Rao government, for the first time encouraged original innovations and spending on research and development.
- During the 21st century, many entrepreneurs started software companies; even there, our development was confined to the Soft ware services for the software products developed by others for their market in the name of Business Process Outsourcing.
- Even in consumption field, we believe in adaptive styles. Indian Consumer is no more an Indian in Consumption. You need to get it certified at US for selling to Indian Consumer.
- Accounting systems, either in adopting accounting packages or in adopting Corporate Governance, are also borrowed.

In essence, we believe in adapting our policies according to the changes that are taking place in the global environment. How long shall we be the change takers? When can we start becoming Change Makers?

Opportunities and Challenges for Accounting Preachers and Practitioners

The environmental scanning presented in previous paragraphs, make one to identify the challenges to the Young India (Demographic changes in the last 60 years of Independent India made more than 50 percent of the Indian Population consisting of age group of people among 14 - 40 years) as follows:

- Rise of Competition from China in respect of manufacturing sector - better quality products at the lowest price in the world posing a big threat not only in international market but also in Indian Market.
- Rise of Competition from China in respect of job market in the world due to high increase in the number of Universities making higher education accessible to masses
- Withdrawal of foreign investments by US and allied countries from recently started as well as existing Indian companies resulting in decrease of Rupee value
- Fall in the Demand for Business Process Outsourcing units in software from US
- Fall in the Demand for Indian export oriented units in US
- Fall in the jobs in Services sector that are dependent on Foreign clients
- The reasons mentioned above would result in fall in the demand for software jobs in Accounting field as well

Opportunities are always born out of Challenges. When the challenges are to be faced, ides of opportunities would get pumped in.

- The fall in the US economy should make it shift its priority from spending on Defense sector to Welfare. It will reduce arrogant spending in unwarranted wars. When the leader reduces violence, others may follow reducing tensions in the world.
- The focus will be to increase welfare of the People in US. According search for talented people to increase efficiency in delivering the goods at high quality for a reasonable price will increase.
- Reduction of Business Process Outsourcing (BPO) initially may affect business in India but would increase opportunities in US for talented Indians.
- Innovation would get a boost in order to face international competition, hence collaborations for original research can be expected in the non-defense sector
- India and China, being largest in Population, would be obvious attraction for US marketers. Many Marketers, both in consumer goods as well services including banking, insurance, education, health and communications prefer India to China to market their products. Hence, US need to be friendly with India. This point must be utilized as leverage by India in pursuing its Doha Agenda in ensuing WTO negotiations.
- Indian Government need to encourage pure sciences for fundamental research, keeping long run interests of the nation

Changing role of the Teachers in general and Accounting teachers in Particular

Having analyzed the changing environment at Global as well as national level, the role of a teacher also undergoes a change. As rightly commented by Arya Chanakya, A teacher is guide, friend and philosopher to the students in particular and to the society in general. In fact, for that reason only, the word preacher is used. What we profess, we must practice. It is time to provide appropriate leadership to the country.

Swami Vivekananda, during the 19th century called for an action oriented program called "Arise! Awake! And Stop not! Till your goal is reached" Swami Sri Kantananda, in his discourse on Gita at Ramakrishna Math mentioned that the Call of Vivekananda was to awaken people from Tamoguna to action. Now the world is full of Action. But the action is motivated by Rajo Guna instead of Satwaguna. It is the responsibility of every preacher to change the direction of the people from Rajo guna to Satwaguna. This is the responsibility of the Teachers in general.

Linking this analogy to Accounting teachers, I wish to give a call to the teachers of our fraternity that, bringing more transparency in accounting system so that accountability of Managers increases shall be the responsibility of ours. We were under the impression that Corporate Governance in US is worth following. We have not noticed that the so call Corporate Governance in US failed protect people from Enron's manipulations. Now all the lead banks in US failed once again to protect the stakeholder's interests. The conservative policy of Indian Banks appears to be a better protective instrument than the US policies. It is time for Accounting preachers and practitioners to think about developing a prescriptive accounting system that can be more transparent than the European models.

Sum up

It was observed that greediness led to the undue growth in financial sector in US beyond the capacity of the real sector. Arrogant spending on wars by lead countries contributed intolerant attitude among people in the world leading to Terrorism in different names. Fair Trade is taking a back seat in the world wide competition towards Free trade, reflected more by a highly populated country in the world. India, in spite of having a largest pool of highly educated people in the world, has been follower, rather than a leader in many fields like drugs, software services, stock markets, education, consumer behavior if not in fundamental sciences. Time has come for Indians to introspect whether we can ever be the leaders in Software development, Pharmacy sector and in fundamental sciences. Tolerance is the strength of India and it is not our weakness. It is time for us to lead the world towards the Satwaguna from the Rajo guna in behavior. Bringing more transparency in accounting system shall be the mission of Accounting Teachers and practitioners. Indian Accounting Association, being a lead organization would not hesitate to take a lead role in this regard. I would like to end my lecture with a quotation from Bhagavad-Gita Gita that "Yadya daacharathi Shrestha, sthatta devetarojanah, sayatpramanam kurute, Loka sta danuvartate" (Gita: III chapter: shloka 21) which means People of high standard would be followed by others; the standards established by great People would be followed if not imitated by ordinary People. Hence, being leaders in spiritual world, we should establish standards. Being leaders in Accounting we must establish standards so that others follow in establishing clean, transparent, free from terrorism, congenial world to live peacefully. Hope New leadership in US and Intellectual leadership in India support this mission. Indian Accounting Association being a pioneer takes lead in volunteering for a role in this regard.

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AN ANALYTICAL STUDY ON GLOBAL TAXATION: CURRENT ISSUES

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ABSTRACT

The issue of global taxation is attracting the attention of policy makers all over the world. The paper analyses major current issues in the sphere and builds a framework for global taxation with an analytical approach. The issue of global taxation and democratic governance was also touched.

In the recent past, political leaders and influential institutions have taken important steps toward global taxes. The Belgian parliament adopted a currency transaction tax (CTT) in July 2004 to fund maturity and restrain currency speculation. Six months earlier, the "Lula-group," an enterprise by French President Jacques Chirac and Brazilian President Luiz Inacio "Lula" da Silva, initiated a high-profile drive sustaining international taxes to finance the United Nations Millennium Development Goals (MDGs). The campaign put global taxes on the agendas of governments and international institutions. At the UN Millennium+5 Summit in September 2005, the Lula group persuaded 66 countries to support a proposal on an airline ticket tax.

Other initiatives came from the French government, the European Union and the UN University and the World Institute for Development and Economics Research (UNU-WIDER). They issued influential reports concluding that global taxes are both desirable and technically realistic. Even the International Monetary Fund (IMF) and the World Bank have agreed global taxes some attention. At their spring meetings in 2005, the IMF and World Bank joint development committee invited the international financial institutions to "deepen their analysis of the most promising nationally applied and internationally coordinated taxes for development."

These events are quite exceptional after years of little progress and official disapproval. In the United States, conservative members of Congress repeatedly introduce bills opposing global taxes in the name of safeguarding US sovereignty. Powerful interests like banks and

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institutional investors vigorously oppose taxes on financial transactions, while large corporations (including oil and energy producers) pressure governments to resist taxes on hydrocarbon fuels.

But, when the leaders of powerful countries eagerly endorse global taxes, the topic no longer represents a taboo in international relations. The Lula group and related initiatives have given global taxes an official stamp of legitimacy. Their initiatives show skeptics that global taxes can play an important role in development financing.

Nonetheless, a closer scrutiny of the proposals reveals two major deficiencies. First, they focus solely on the revenue raising aspect of the taxes neglecting, and in some cases actively downplaying, the vital role taxes can play in steering policies, for example curbing global warming and reducing harmful currency speculation. Second, many of these recent initiatives have failed to deal adequately with tax governance, and how to guarantee that the tax funds will be spent in a democratic way to finance real development. Without any guarantee that tax revenues will finance development, nothing will prevent governments from spending the tax funds on other priorities, including boosting military budgets or cutting taxes for the rich.

A Brief Look at Some of the Recent Proposals

Belgian Parliament

In July 2004, the Belgian parliament passed legislation on a Currency Transaction Tax (CTT) to raise revenue for a EU fund for development. Belgium was the second country after France to adopt legislation on a CTT. While the Belgian law, like the French one, will not come into force without the participation of other EU states, it was ground-breaking in that it demonstrated how to practically and technically introduce a CTT. The tax provides for a two-tier taxation system which could raise $50 billion per year and stop currency speculation during high market volatility. Among other recent high-level initiatives on global taxes, the Belgian legislation is the only one to seek a policy effect (preventing financial crises) as well as raising revenue for development.

Lula Group

In January 2004, the presidents of Brazil, France and Chile, supported by UN Secretary General Kofi Annan, set up a "Technical Group on Innovative Financing Mechanisms," better known as the Lula group after Brazil's president Lula da Silva. In September 2004, the Lula group released its report on "Action against Hunger and Poverty," arguing for alternative financing for development to reach the Millennium Development Goals (MDGs). The report claims that current sources of development finance are inadequate and unpredictable. "Aid pledges depend upon internal budget decisions - which, in turn, are conditioned to changeable political circumstances." According to the report, taxes on financial transactions and arms trade could provide more efficient and predictable flows of aid and allow for "a more balanced and inclusive globalization." In September 2004, at a meeting organized by Lula, more than 100 countries signed the New York Declaration on alternative financing for the MDGs.

The Lula group, joined by the leaders of Spain, Germany and Algeria, continued to release statements and proposals, in an effort to bring global taxes to the negotiating table of the UN Millennium Summit +5 in September 2005. As the summit drew closer, the group focused on proposals it considered most likely to gain political support. By June 2005, the group had narrowed down its tax proposals to a "solidarity contribution" on plane tickets. At the September summit, 66 governments signed the Lula group's "Declaration on Innovative Sources of Financing for Development" and a smaller number of countries announced that they would implement a tax on airline tickets as early as 2006.

UNU-WIDER - Atkinson (September 2004)

Responding to a call from the UN General Assembly, the UN University and the World Institute for Development and Economics Research (UNU-WIDER) undertook a project on "Innovative Sources for Development Finance." Released in September 2004, the study did not introduce any new proposals, but analyzed existing development financing proposals, including global taxes on carbon emissions and currency flows. Still, the report played an important role in creating momentum on global taxes as a source for development financing. The report also closely relates to other recent initiatives on global taxes. The director of the study, Professor Anthony B, Atkinson participated in the Landau panel that produced the Landau report. (See below)

Landau Report - France (December 2004)

The Landau report, released in December 2004, was commissioned by President Chirac and produced by a group of French and British specialists. Like the UNU-WIDER report, the Landau report did not bring any new global tax ideas to the table. But, the work of the expert commission had a strong influence on the Lula group's report as well as on the EU tax initiative. Like the Lula group report, the Landau panel criticizes current Official Development Assistance (ODA) practices, arguing that international taxes could "ensure stable and predictable aid flows." The report proposes international taxes on carbon emissions, financial transactions, arms and the profits of multinational corporations to improve progress on the MDGs.

European Union

Building on the Landau and Lula reports, the European Commission released three papers in 2005 on global taxes to raise revenue for ODA. The Commission initially looked into several taxes, including a CTT, environmental taxes, health-related taxes, taxes on arms trade and the profits of transnational corporations. Its June 2005 report had narrowed the options down to a contribution on airline tickets. According to the proposal, each member state can choose whether it wants to contribute in the scheme. Depending on how many states participate and whether governments make the tax voluntary or compulsory for passengers, it could raise between €568 and €2,763 million annually for development.

Critcal View of Global Tax Proposals and Issues Involved Therewith

Apart from the Belgian legislation, all these initiatives propose taxes solely to raise revenue for development. But taxes can also have important policy steering effects. On a national level, governments tax commodities and activities to discourage a certain consumption or behavior. For example, taxes on alcohol and tobacco aim to decrease consumption and promote public health.

Similarly, on a global level, taxing currency transactions would decrease harmful currency speculation and promote international economic stability. A carbon emissions tax would increase costs of hydrocarbon fuels like oil, coal and natural gas and curb global climate change. And, a tax on arms trade would aim to decrease armed violence.

Goals to be Achieved-Higher Tax or Better Policy

Tax advocates have long hunted to accomplish equilibrium between maximizing tax revenues and achieving policy steering effects. Essentially the two goals compete. A high tax on carbon emissions could curb global warming but would raise less revenue since the tax base declines as fewer people use fuels with carbon content. On the other hand, a low tax would bring stable revenue, but have little, if any, effect on the environment. Many global tax proponents have tended to focus on one goal over the other. Indeed, economist and Nobel laureate James Tobin proposed his famous tax on currency transactions (Tobin tax) to decrease harmful speculation, paying little attention to the revenue raising aspect of the tax.

In the last decade or so, global tax supporters have lobbied for proposals that would balance the revenue raising objective with the policy steering goal. Researchers have experimented with tax rates that would deject some activity but still hoist revenues. Economist Paul Bernd Spahn developed a CTT proposal, providing for a two-tier taxation system with a low first-tier tax to guarantee constant revenue and a high second-tier tax, which applies only during periods of exchange rate turbulence, to prevent massive currency flows and subsequent

Global Taxation and Political Infringements - Considerations Involved

In spite of these developments, most of the recent proposals focus solely on raising revenue, deliberately neglecting the policy steering potential of the taxes. While raising resources for development is indeed an important enough reason to introduce taxes, development would certainly benefit from a stable financial system, an environment not plagued by natural disasters, and a world with less arms. If world leaders truly seek to promote sustainable development, then why do they choose to weaken the proposals? Probably, leaders seek to maximize political support for these proposals in a short time period, before important high-level meetings on development or before their terms of office expire. A higher tax -that could have a policy steering effect- would meet much more resistance and might not attract enough support in the short term.

In 2004-2005, leaders faced increasing pressure to take action against poverty. Prior to the UN summit in September 2005, numerous NGO and UN reports emphasized that governments had not done enough to decrease poverty and hunger. The UN Millennium Project study, led by economist Jeffrey Sachs, stated that in order to reach the MDGs governments would have to almost double ODA to $135 billion by 2006 and further increase it to $195 billion by 2015.

Rich countries have not committed nearly enough resources in spite of their pledges to increase ODA and debt relief. Ensuing NGO demands for increased development funds have resulted in government proposals on alternative development financing. Most of these public relations driven proposals emphasize that global tax revenues must be "additional" to increases in ODA. But, some governments evidently see global taxes as a means to increase their national ODA budgets and painlessly reach the internationally agreed goal of 0.7% of Gross National Income (GNI). By blurring the distinction between national and global tax revenue, governments can avoid directing a larger part of the national budget to ODA. The working papers of the European Commission state that resources raised through global taxes and used for development purposes "could be regarded" as ODA.

Other leaders promote development initiatives in order to look good in the eyes of their electorate. Opinion polls in OECD countries show high public support for helping poor countries. In 2005, massive citizen mobilizations rallied under the slogan: "make poverty history." British Prime Minister Tony Blair, eager to improve his image after the Iraq war, made the MDGs and development in Africa the centerpiece of the UK presidencies of the G8 and the EU. French President Chirac, unwilling to give up the EU's high agricultural subsidies for French farmers, has taken leadership on the global taxes campaign, boosting his image as someone dedicated to development of poor countries. In addition, the European Commission emphasized the "political message of European solidarity towards developing countries" that an EU initiative on airline taxes would have at the Millennium+5 Summit.

With their image at stake, leaders push for less ambitious proposals that can be adopted swiftly rather than more ambitious projects that would take longer to enact. The contribution on airline tickets will add only a small amount to development aid. It will have no effect on the environment or in democratizing global governance. NGOs must therefore put pressure on governments to ensure that such a tax only represents a first step towards more ambitious and effective proposals.

The Criteria for Global Taxation - Universal Versus Regional

Opponents of global taxes often argue that unless every single country in the world adopts the tax, there will be serious tax evasion and distortion of competition. While a growing number of governments support global taxes, opposition remains strong. So, universal agreement seems unreachable in the near future. However, tax advocates, including the authors of the recent proposals, offer flexible solutions that do not require universal participation. For example, the Lula group's pilot project to introduce a "solidarity contribution on airplane tickets" states that not all countries must participate since the tax would be too small to distort airline industry competition or encourage tax evasion. Similarly, the European Commission looked at a variety of proposals that do "not need global consensus and hence can be implemented at the regional (EU) level."

Even with a tax large enough to have a policy impact, regional implementation can be possible. For example, the Belgian CTT legislation seeks to stop excessive currency speculation on an EU level with a robust second-tier tax (applied only under currency exchange rate turbulence). Many countries have introduced substantial environmental taxes on a national level. In 2005, New Zealand became the first country in the world to introduce a carbon tax to address global warming. Regional and other non-universal approaches allow for a small committed group of countries to adopt a more ambitious proposal, rather than compromising with a very weak universal instrument. As non-participating countries see that the tax works, they can join the group at a later stage. While the Lula group and related initiatives do favor more flexible approaches to global taxation, they fail to use these models to champion more ambitious proposals.

Anarchy of Taxes

How should global taxes be governed? Who should make decisions on collecting and distributing the taxes and how? Must states cede parts of their sovereignty to a global tax authority or can national governments take ultimate responsibility for collecting and distributing the taxes?

Clearly, the prospect of a global tax authority intimidates anyone who thinks national governments and parliaments are the best defenders of their citizens' interests. Recent proposals tend to downplay the global governance aspects of global taxes. They argue for "nationally implemented" taxes that will be "internationally coordinated." But the proposals give little attention to the coordination aspect. The Lula group proposes to tax airplane tickets nationally with each participating country designing its own domestic tax scheme. The proposal goes on to say that, participating governments "could" choose to coordinate the tax rate and revenue distribution through "some kind of international agreement." In other words, citizens must trust that governments will use the taxes for development. Even if current governments remain committed to spending the revenue on development, nothing can guarantee that future governments will not spend the revenue on other purely national priorities.

Other initiatives, including the Belgian legislation and the Landau report propose to earmark tax revenues to a development fund or a specific cause. Earmarking would guarantee that governments spend funds on development. But such a system without effective oversight could still leave un-addressed some of the main problems of the current development system, such as the lack of voice of poor countries and aid tied to conditionalities. Governments collecting taxes and handing the revenues to a fund will most probably demand a disproportionate say in how the money is spent. They might very well design an undemocratic governance structure dominated by rich countries, such as the much criticized governance system of the IMF and the World Bank.

Whether Global Taxation Should Aim at Democratic Global Governance

Global tax governance is part of the larger debate about global governance. National governments can no longer control their destiny in the face of global problems like climate change, financial instability and rapid disease transmission. So, increasingly, governments hand over part of their sovereignty to regional or global organizations and treaty bodies. But democracy scarcely exists at this level and there are few channels for democratic citizen input and accountability.

Some researchers have seen global taxes as a way to democratize the global governance system through new global democratic institutional arrangements. In 2002, professors Heikki Patomäki (Nothingham Trent University) and Lieven A. Denys (Free University of Brussels) prepared a detailed and comprehensive draft treaty on a global CTT, which included a democratic CTT organization to oversee the levying and spending of the tax. They proposed that governments, national parliaments, and civil society would have representatives in the CTT organization. The Lula group and related initiatives can learn much about the importance of tax governance from this proposal.

Conclusion

Recent developments on global taxes show that such taxes are not only feasible and desirable, but also that they can attract substantial political support. In fact, the strength of the Lula group proposal and similar initiatives lies in their ability to assemble support and make the idea of global taxes less of a taboo. Their weaknesses include neglecting the taxes' policy steering capacity and insufficiently dealing with tax governance.

In the current political context of US opposition to multilateral initiatives, recent proposals have downplayed the global and international aspects of global taxes to gain wider support. Still, what is the use of a global tax that will not have any important policy effect nor guarantee that funds will promote development? Experiences in the current international development system show that poor countries must have a say in how development funds are spent. NGOs must insist on a democratic governing system of global taxes where funds are additional to ODA and spent in an accountable way to finance real development.

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IN SEARCH OF RESEARCHERS: A STUDY ON ACCOUNTING RESEARCHES IN INDIA

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ABSTRACT

The quality and quantity of accounting research is dependent of on the attitude of researches and role played by professional bodies. The sample size for the study is 50 lecturers. 100 students are also considered. This emperical study has revealed useful findings for accounting professionals and reserachers.

1.0 Higher education is an important tool in bringing about a change in development of the country. The key role is played by the Universities in India by fulfilling the manpower requirements. Now the challenge of the Universities is to cope with the emerging challenges such as practical and industry orientation in education and producing more number of employable outputs. There is good number of opportunities for accounting professionals, but the demand supply conditions do not match.

1.1 The focus of this paper is on identifying the reasons for lesser number for PhDs and research works in accounting and accounting related areas.

1.2 **Methodology:** The study is based on the data interpreted through primary data. Two sets of questionnaires have been administered. The total sample size of lecturers is 50 and the sample size of students is 100. Chi-square test and geometric mean have been used.

1.3 **Findings of the study:**

Following are the findings of the study.

Table 1 reveals that 64 percent of the respondents are not knowledgeable about job opportunities for accounting professionals and 70 percent of the lecturers are not knowledgeable about accounting standards. 64 percent of the respondents disagreed that PhD's teach better than Non-PhD's. 52 % of the respondents did not attend any seminars/ conference in accounting related areas. Majority are of the opinion that their salary is not commensurate with their qualifications

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Table 1
Perceptions of lecturers about different aspects directly or indirectly affecting accounting research

	Questions	Yes	No
1.	Do you have knowledge about accounting related jobs?	18	32
2.	Do you attend Seminars & conferences in accounting related areas?	24	26
3.	Does your college invite CAs and ICWAs to address students?	30	20
4.	Do you have thorough knowledge in accounting standards?	15	35
5.	Do you feel that Phd's teach better than Non - PhD's?	18	32
6.	Is your salary commensurate with your qualifications, accomplishments, experience and commitment levels?	18	32

Table 2
Relationship between teaching and PhD

	University	Others	Total
PhD's teach better than Non PhD's	10	8	18
Do not agree	1	31	32
Total	11	39	50

x^2=18.37;. x^2 0.05=3.841; $x^2$0.01=6.635

The chi- square test shows that there is a significant difference between the opinions of the faculty working in university and other institutions of higher learning with regard to the direct relationship between teaching and possessing a PhD degree.

Table 3
Number of seminars attended

	University	Others	Total
Seminars & conferences attended	9	15	24
Not atttended	2	24	26
Total	11	39	50

x^2=6.46;. x^2 0.05=3.841; $x^2$0.01=6.635

The chi- square test shows that there is a significant difference between the opinions of the faculty working in university and other institutions of higher learning with regard to the number of seminars attended.

Table 4

Reasons for limited number of research works by the lecturers.
(The respondents have opted for more than one option)

Clash with domestic responsibilities	27
Heavy work load in the college	47
Lack of interest in research	35
No exposure to seminars, conferences and workshops	18
Influence of peer groups	3

The respondents opined that work load and lack of interest are the main reasons for limited number of research works by the lecturers.

Table 5

Perception of lecturers about the aspects that would contribute to increase in the number of research works. (The respondents have opted for more than one option)

An increase in the number of Universities	10
An increase in the number of research guides	15
Increase in the number of seminars at the collegiate level	25
Introduction of project work at undergraduate level	30
Allowing graduates to register for M.Phil	5
Increase in the subscription to research journals and exposure to e-journals	20
M.Phil through distance mode	15
Incentives by the college for unaided lecturers	46

The respondents stated that incentives for the un-aided lecturers, introduction of project at under graduate level and increase in number of seminars at collegiate level and increase in subscription to research journals and exposure to e- journals are the factors which would contribute in increase in number of research works.

Table 6

Reasons for limited number of research works in Accounting related areas.
(The respondents have opted for more than one option)

Non - availability of data	30
Limited number of research supervisors	15
A few CA'S and ICWA's taking up research	18
Non availability of sponsors	10
Lack of interest	12

The table reveals that the main reason for limited number of research works in Accounting related areas is non - availability of data.

Table 7
Key elements in improving the quality of accounting research
(The respondents have opted for more than one option)

CA or ICWA as co-guide	15
Optimal use of right to information	25
Very strong theoretical and practical base	30
A web site displaying the findings of research findings	10
Taking up minuscule projects Initially and then proceeding to minor research projects, M.Phil and PhD	18

Table 7 reveals that as per the respondents view, the key elements in improving the quality of accounting research are very strong theoretical and practical base, Optimal use of right to information and having a CA or ICWA as co-guide.

Table 8
Motivating factors for a researcher

Well arranged seminars	10
Hike in pay for M.Phil/and PhD	43
Appreciation	18

The table shows that hike in pay is the main motivating factor for a researcher.

Table 9
Perceptions of lecturers about different the managerial aspects affecting accounting research

	Yes	No
1. Are you a net user ?	33	17
2. Do you have a fully equipped library in your college?	32	18
3. Do you have a fully equipped computer in your college?	45	5
4. Does your college best qualified computer professionals to guide the students in computer lab?	32	18
5. Does your college possess the required infrastructure?	35	15
6. Do you have an English lab in your college?	8	42
7. Do you have a Commerce lab in your college?	6	44

8.	Do you prepare answers/ key to the question papers in the subjects handled by you, immediately after the annual/ final examinations and evaluate you own performance?	30	20
9.	Do you figure out the areas / topics in which majority of the students commit mistakes, so that some corrective action can be taken in the future ?	27	23

The table shows that 88% of the respondents have stated that they do not have a Commerce lab in their college and 84% stated that they do not have an English lab.

Table10
Number of net users

	University	Others	Total
Net users	10	23	33
Non users	1	16	17
Total	11	39	50

x^2=3.90;. x^2 0.05=3.841; $x^2$0.01=6.635

The chi- square test shows that there is a significant difference between the opinions of the faculty working in university and other institutions of higher learning in relation to the number of internet users

Table 11
Institutions having fully equipped library

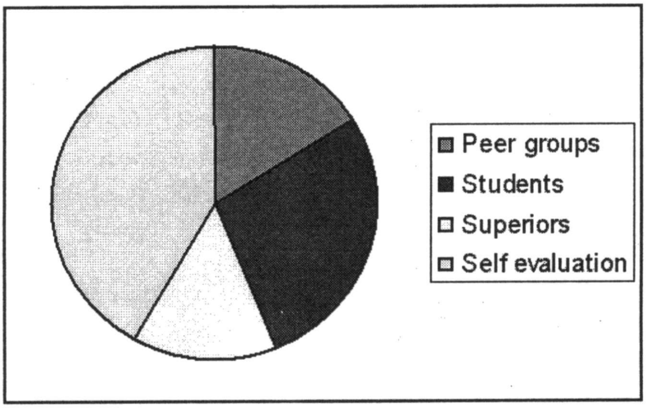
	University	Others	Total
Library - fully equipped	11	21	32
Library- not fully equipped	-	18	18
Total	11	39	50

x^2=7.9326;. x^2 0.05=3.841; $x^2$0.01=6.635

The chi- square test shows that there is a significant difference between the opinions of the faculty working in university and other institutions of higher learning with regard to fully equipped library in their institute.

1.3.1 The graph (below) shows that 42 percent of the respondents preferred self evaluation followed by evaluation by students (28 percent)

Modes of teacher evaluation



1.3.2 Hundred students selected from different colleges were asked to answer some questions which were conceptual in nature. Only 40 percent of the respondents were able to answer around 50% of the questions asked. It shows that the students need a thorough conceptual base. The following are the questions

Objective Questions

1. What is the basis for prime entry?
2. Why does a Balance Sheet tally?
3. Why is 'Closing stock' credited to Trading A/C?
4. What does overriding commission mean?
5. Who was the third partner in Garner Vs Murray case?
6. What is an opportunity cost?
7. What is 'Marshalling of assets and liabilities'?
8. What do you know about a wasting asset?
9. Define a fictitious asset?
10. What does 'Live stock' mean?
11. What do you understand by Key man insurance policy?
12. What is the difference between expenditure and cost?
13. List out 4 or 5 items shown in the journal proper.
14. What is a 'bond washing transaction'?
15. What is the difference between 'Ledger' and 'Account'?
16. Should the BRS be prepared even when the balances as per CB and PB are the same as on a particular date?
17. What is the difference between a reserve and a provision?
18. Can depreciation be insured? Give reasons for the answer.
19. What do you know about account sale?
20. What is the difference between 'Account Current' and 'Current Account'?
21. What is the difference between 'Capital reserve' and 'Reserve Capital'?
22. Differentiate between 'Production cost' and 'Manufacturing cost'?
23. What is teeming and lading?

24. What is casting?
25. What is the difference between profit and profitability?

1.3.3 Skill oriented tests: In addition to the regular pattern of examination the performance of the students should be tested through skill oriented tests. Some of the ways in which skill oriented tests could be conducted (as opined by the respondents) are given below.

- Individual presentations (with or without power point / OHP)
- Group presentations
- Assignments
- Hosting and organizing an event
- Role plays
- Mini projects

1.3.4 The study reveals the following additional points:

- The number of enrolments in M.com is on the decline. In Osmania university region, the number of candidates appearing for M.com has drastically come down in the past four years from 8000 plus to 5116 .The details for the year 2007 and 2008 are given below:

Year	Appeared	Qualified
2007	6010	4500
2008	5116	3337

  - The qualifiers in M.com entrance test in 2007 in Osmania university region is approximately 75 percent as compared to 65 percent in 2008.
  - Number of qualifying candidates to number of number of seats in M.Com entrance conducted by Osmania university in 2007 is closer to 3:1 as compared to 2:1 in 2008.
  - The percentage decline in the number of aspirants applying for M.Com entrance exam during 2004 and 2008 is 11.189 which have been calculated by using Geometric mean.

It can be inferred that that the enrolments in M.Com are on the decline which may have an adverse effect on the research activity in the future.

- There are 51 colleges which are offering M.Com in Osmania University region with an intake of 30 each which adds upto 1530 seats. Only 1065 students took admission in the academic year 2008-09. The reasons for the decline in the number of enrolments could be due to the lucrative jobs provided by the software and service sector to the graduates, lack of flair for teaching, preference for professional courses such as MBA and MCA by the Commerce graduates.
- The CA institute has directed such of those students who are pursuing CA along with B.com from any college should produce a certificate from the concerned colleges that the college shall arrange special classes for them from 7am to 11 am so as to allow them to take up articled and practical work which was not possible for many of the colleges. This has and would result in an academic loss to the colleges in the form of brilliant students which would result in decrease in the competitive spirit of the students.

1.4 Some of the Reponses with regard to the role to be played by institutions in improving the quantity and quality of accounting research are given below:

Table 12
Role of institutions in promoting accounting research

College/ Institution	Seminars, allowing the lecturers to attend seminars workshops and conferences, flexibility in timings for researcher, encouragement to the scholars, orient the students at the UG/PG level about research, encouragement for Minor Research projects
University	Scholarships, providing access to information through e-journals, incentives, practical and industry oriented curriculum, arranging seminars, work shops and conferences, inviting experts from the industry for design seminars, pre- submission seminars and viva of PhD and M. Phil students, add on courses, inter disciplinary courses, orientation programmes for new entrant lecturers.
University Grants Commission	Extend benefits to self financing colleges, storage of data on websites, sanction of FIP for all, concessions for CA/ ICWA students in certain subjects in B. Com and M.Com, orientation programme for the new entrant guides in certain areas such as application of statistical tools, topic selection etc.
Indian Commerce & Accounting Association(s)	Guidance to students and researchers, identification of areas for future research, motivate CA's/ ICWA's and ACS's to take up research, certificate courses in practical accounting and other related areas, seminars at chapter level, providing information about job opportunities for accounting professionals..
Institutes of CA/CWA/CS	Provide facilities, provide necessary theoretical and practical data base to the researchers, providing the information pertaining to latest developments in the industry, participating in curriculum designing.

1.5 Conclusions

The quality and quantity of accounting research is dependent on several factors such as attitude of the researcher, active role played by the institutions such as UGC, IAA, ICA and other professional bodies. The quality of accounting research can be improved through change in the attitudes of researchers, better pay scales for unaided lecturers, seminars at collegiate level, sanction of FIP fellowship by UGC for self financing colleges, Strong theoretical and conceptual base of the researcher, change in the curriculum etc. The organizations other than UGC, such as IAA, ICA and educational institutions also have an important role to play in promoting accounting research. It is nice to observe that Indian Accounting Association is contemplating to conduct a talent test at national level in accounting and related areas. Such voluntary initiatives from the concerned would definitely help in promoting accounting education and research in India.

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CORPORATE ENVIRONMENTAL ACCOUNTING AND REPORTING IN BANGLADESH

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ABSTRACT

The paper gives a brief account of corporate environmental accounting and reporting in Bangladesh. Environmental reporting practices are done voluntarily in a very small number of listed companies in Bangladesh. The level of disclosures are also poor. This study is also identifying the gaps in the area at Bangladesh.

Introduction

Protection of environment and the potential involvement of accountants is becoming a common subject of discussion among the accountants all over the world. Now-a-days, accountants are expected to take a proactive role in the environmental protection process. Accountants have a strong and effective role to this effect. The role of accountants in the environmental protection process is discussed in the emerging branch of environmental accounting that is our current interest. Companies are now supposed to give environmental disclosures in their corporate annual reports. As a manufacturer and trouble shooter of annual reports, the responsibility falls on accountant. Such disclosures may be qualitative or quantitative or both. Qualitative disclosure means description of environmental activities of the company without any quantification rather in a descriptive manner in the notes, directors' report or somewhere else but not on the face of income statement or balance sheet. But quantitative disclosure refers to the quantification of the same in terms of money and incorporating the same into the financial statements. Environmental disclosures may also be positive or negative. Positive disclosure means disclosure of the fact that company's operations are carried out in an environment-friendly manner and negative disclosure means disclosure of harms done to the environment by the company's activities (Rahman & Muttakin, 2005, p. 13).

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Environmental reporting has traditionally been a voluntary method of communicating environmental performance to an organization's stakeholders. It will ensure the "Corporate Environmental Stewardship" of the company activities (Bose, 2006, p 54). A proper environmental accounting system is a supporting measure for achieving sustainable development in the sense that it is the main tool for measurement, control and decision-making (Hamid, 2002). Environmental Accounting supports sustainable development because it does not look only into the past or near future but also it looks into more strategic objectives (next generations). Today's users are very much conscious in the sense that they do not forget to test whether the products come from an environmental friendly production process or not, before taking purchase decision. Thus, the companies are bound to disclose such information. And whenever the question of disclosure comes, the responsibility lies on accountants as they deal with the corporate disclosure whatever may be the form.

Environmental Accounting and Reporting: A Conceptual Analysis

Environmental accounting deals with the attachment of cost and liability data with the traditional costs and liability. Environmental costs are the costs that a company incurs to conserve the environment from being polluted or contaminated as a part of their social responsibility and accountability. Such costs may be classified as business area cost, upstream/downstream cost, management activity cost, research and development cost, social activity cost, environmental damage costs etc. that totally depends on the discretion of the management. And liability is the acceptance on the part of the management that they have destroyed the environment and they are liable to spend for that in the forthcoming years.

It is worth mentioning here that two approaches are adopted in recording environmental costs and liabilities, namely, physical approach and monetary approach. Firstly, the Physical Approach was suggested by the United Nations where a complete guide is to be prepared indicating the available resources within a country classified according to its state and uses (for instance, agriculture, desert land etc). Depending on this approach, the environmental operations are presented in a physical terms, the current balance of the resources and the additions and deductions from that resources. No monetary value is assigned according to this approach. Secondly, the monetary approach emerged due to the fact that the Physical Approach does not fulfill the requirements of the Environmental Accounting. Nevertheless, the physical approach is very important to get physical information about the resources which enables to prepare the environmental statistics and is considered the first step in the Monetary Approach. Despite the difficulties associated with the monetary approach, it has gained a lot of interest as such data will enable to know the profit and loss associated with environmental operations and to get an environmentally adjusted economic indicator (Hamid, 2002). An adjusted "Balance Sheet" for showing Environmental and Natural assets, Environmental liabilities (Hamid, 2002) are as follows:

Table 1
Adjusted Balance Sheet (Satellite)

Assets	Liabilities
Firstly: Environmental & Natural Assets **1. Natural [Ecological] Assets** • Non-Renewable Resources Reserves • Renewable Resources Reserves	**Firstly: Current & Potential Environmental Liabilities** **1. Current Liabilities:** • Compliance Liabilities • Treatment Liabilities • Compensatory Liabilities • Natural Assets Liabilities
2. Environmental Assets *A. Current Assets* • Pollution Bonds *B. Fixed Assets* • Environmental Deposits • Environmental Goodwill • Environmental Performance Bonds • Pollution Bonds	**2. Future [Potential] Liabilities** • Compliance Liabilities • Treatment Liabilities • Compensatory Liabilities • Natural Assets Liabilities
Secondly: Man made assets • Current Assets • Fixed Assets	**Secondly: Owner's Equity and Other Liabilities** • Owner's Equity • Long Term Liabilities • Short Term Liabilities

Source: (Hamid, 2002)

Environmental reporting, on the other hands, discloses the environmental data to the users through financial statements. The disclosure format can be any one of the following where Format D is the most comprehensive one and this format is highly recommended for disclosing environmental accounting information in environmental reports (Shil and Iqbal, 2005, p. 91).

Format A: theoretical disclosure.
Format B: environmental cost only (both expense and investment amount).
Format C: environmental cost and environmental conservation effects.
Format D: environmental cost, environmental conservation effects and economical effects.

Legal Status of Corporate Environmental Accounting and Reporting in Bangladesh

Government of Bangladesh (GOB) established a separate Ministry of Forest and Environment in 1989 in order to protect and conserve the environment of the country. A draft National Environmental Management Action Plan has been prepared with support from UNDP. Bangladesh Environmental Conservation Act was enacted in 1995. The Act requires the Environmental Clearance Certificate for the establishment of new industries from the Director

General of the Department of Environment. The institutional arrangements for the protection of environment are shown below (The Daily Star, 2005):

(i) Ministry of Forest and Environment
(ii) Department of Forest
(iii) Department of Environment
(iv) Planning Commission
(v) National Environment Policy, 1992
(vi) National Environment Management Action Plan, 1995
(vii) Environmental Conservation Act, 1995
(viii) Environmental Conservation Rules, 1997
(ix) Environmental Court Act, 2000 and
(x) Ozone Depleting Substances Rules, 2004

According to the above institutional arrangements, disclosure of environmental information to the regulatory bodies is required. In urban areas environmental issues are mainly dealt in by City Corporations, Municipalities, City Development Authority and Local Government Institutions while the Department of Environment has the consultative role to play. In rural areas, environmental issues are mainly dealt in by the Local Government Institutions. To improve the air quality and in order to take mitigation measures and to take policy decisions, one continuous Air Quality Monitoring Station has already been established in the National Parliament compound under the World Bank funded project (The Daily Star, 2005). There is no provision regarding environmental reporting in the Companies Act, 1994 (GOB, 1995).

Review of Literature

Before 90's there were no evidence that public limited companies listed with Dhaka Stoke Exchange (DSE) disclosed environmental information in their annual reports. Evidence was found from Belal's (1997) study that only 6% publicly traded Companies made environmental disclosure (Islam, 2002). Imam (1999) conducted a study on environmental reporting in Bangladesh and reported that environmental disclosures remain at a minimal level. Shil and Iqbal (2005) conducted a study based on the annual reports of 121 companies in Bangladesh and found that only 13 companies (11 percent) out of 121 disclosed the environment related information in a qualitative way. Rahman and Muttakin (2005) selected 196 companies in Bangladesh for their study out of which 125 are manufacturing companies and the rest 71 are service companies that gives same result. Bose (2006) conducted a study on environmental accounting and reporting in fossil fuel sector (Petrobangla) in Bangladesh and concludes that during 1998-99 and 1999-2000, only 45.45% companies of Petrobangla disclosing environmental information. During 2000-01, 63.63% companies of Petrobangla disclosing environmental information and during 2001-02 and 2002-03, 81.81% of companies of Petrobangla disclosing environmental information. But, in all of the years, Petrobangla companies have disclosed only qualitative and descriptive information without any attempts at quantification. Since corporate reporting practices are still non-voluntary for a developing country like Bangladesh, public awareness about environmental disclosure in corporate reporting remains untouched.

Rahman and Muttakin (2005) in their report clearly identified the qualification style of environmental disclosure of large corporate bodies in Bangladesh. Beximco Pharmaceuticals Ltd. makes disclosure of environmental information in the section entitled "Environment", in addition to a separate section on environment in the Chairman's Statement. Bata Shoe Company (Bangladesh) Ltd. make disclosure of environmental information in the Chairman's Statement. Square Pharmaceuticals Ltd. and Confidence Cement Ltd. make disclosure of environmental information in the Directors' Report British American Tobacco Bangladesh Co. Ltd. provides environmental information by drawing a picture in the Annual Report. And, in the Annual Reports of the sample companies making environmental information, only positive disclosures are made.

Corporate Environmental Accounting and Reporting in Bangladesh: Some Cases

In Bangladesh, companies declare their commitments towards environment only theoretically through directors' report, mission-vision-goal statement, future focus or at the end of the report apart from the face of the accounts or notes to the accounts. Here, cases in abridged version are provided for three companies, two local and one multinational with shares traded in Dhaka Stock Exchange to draw a demarcation line by the readers regarding the nature of disclosure. Local companies use financial statements to disclose any information whether voluntary or mandatory; whereas Glaxo Smith Kline, the only multinational under review, uses Corporate Responsibility Review that is fully dedicated to disclosures towards the society. Authors have intentionally taken pharmaceutical industry to select companies for cases as this industry has a serious negative exposure towards environment.

Square Pharmaceuticals (Annual Report, 2005-06)

Square Pharmaceuticals Ltd. was incorporated on 10 November 1964 under the Companies Act 1913 and it was converted into a Public Limited Company in 1991 and offered its share to the public with the approval of Securities and Exchange Commission in the month of December 1994. The shares of the company are listed in the Dhaka Stock Exchange Ltd. and Chittagong Stock Exchange Ltd.

Three of the ten principles of Global Compact initiated by the UN Secretary General as have been adopted by Square Pharmaceuticals Ltd. show its commitment towards environment. The principles are worded as below in mission-vision-objective statements:
Principle 7: Business should support a precautionary approach to environmental challenges;
Principle 8: Undertake initiatives to promote greater environmental responsibility; and
Principle 9: Encourage the development and diffusion of environmentally friendly technologies.

It also strives for an environment free from pollution and poisoning. In the Director's Report, the company declares its role towards environment that the Company maintains a high standard of pollution free environment as per GMP Regulations/WHO standards/ Government laws. Four high-level officials from the Ministry of Health (MOH), Myanmar recently visited Square Pharmaceutical's state-of-the-art Pharmaceutical Manufacturing Plant and Cephalosporin Plant at Kaliakoir, Dhaka, for a 3-day orientation program on W.H.O. c-GMP requirements. The orientation was focused on current GMP requirements on manufacturing and quality assurance of pharmaceutical products. The program covered all the essential components of GMP with especial emphasis given on documentation, production-environment control, personnel hygiene, raw material inspection and inventory control, quality audits, good laboratory practice (GLP), and the maintenance of consistent product quality through effective control and prevention of cross-contamination. The issue of cGMP requirements about a stand-alone Cephalosporin Production Facility was also focused and the officials of MOH, Myanmar highly appreciated the timely step of Square Pharmaceuticals Ltd. in constructing the Cephalosporin Manufacturing facility with an investment of about 15.00 Million US Dollar, meeting the US FDA and UK MHRA requirements.

This is a matter of pride for Bangladesh that Ministry of Health of Myanmar has chosen Bangladesh for such an orientation on W.H.O. c-GMP requirements to its officials. And, Square Pharmaceuticals Ltd. has been chosen by the MOH, Myanmar, the market-leader of Bangladesh Pharmaceutical Industry since 1985, who has the most-advanced Pharmaceutical Manufacturing Facilities in Bangladesh and in this South-East Asia region, meeting the US FDA and UK MHRA requirements. Moreover, MOH Myanmar has considered the consistent quality-commitment of Square Pharmaceuticals in exporting its products to Myanmar since 1997, which made SQUARE Pharma the leader of Pharmaceutical Exporters from Bangladesh into Myanmar.

Beximco Pharma (Annual Report, 2005)

Beximco Pharma is a leading edge pharmaceutical company, based in Dhaka, Bangladesh and is acclaimed for outstanding product quality, world-class manufacturing facilities, product development capabilities and outstanding service. Beximco Pharmaceuticals Limited was incorporated in Bangladesh as a public limited company in the year 1976. It commenced its manufacturing operation in 1980. In 1985, the company went for public issue of share in Bangladesh. In 2005, BPL becomes a global company by issuing and listing its share in the form of Global Depository Receipts (GDRs) on the alternative investment market (AIM) of the London Stock Exchange.

Due to potential risk to the environment posed by CFCs, the technology shift in MDI industry is currently towards using Hydrofluoroalkane (HFA) as propellants. Considering this changing trend in Pulmonary drug delivery technologies, the company has signed a collaborative agreement with a leading developer of innovative drug delivery technologies to develop the HFA based MDIs. This collaboration will ensure essential MDIs for millions of asthma and COPD patients in Bangladesh when there will be no CFC based MDIs available. As the largest manufacturer of MDI products in Bangladesh, Beximco Pharma recognizes that its operation have an impact upon local and global environment. The company is committed to achieve corporate environmental goals. To comply with both national and international environmental legislations, it has already undertaken a large scale investment program to convert its CFC based MDIs into HFA based MDIs which involves major change in manufacturing lines, process control and packaging facility.

The bottle pack aseptic system (Form-Fill-Seal or FFS) is a unique and innovative manufacturing technology. Plastic bottles are now molded, filled with the solution and sealed under sterile condition, in a single working cycle where there is no environmental exposure or human contact during manufacturing. The IV Fluids are presented in a scientifically designed bottle where there is an extra protective euro head cap and a resealable rubber disk. The whole process is performed in a 100 clean room. The air inside this room is cleaned up to 100 particles per cubic feet passing it through HEPA (High Efficiency Particulate Air) filters.

GSK-Glaxo Smith Kline (Corporate Responsibility Review, 2006)

GlaxoSmithKline plc is an English public limited company. Its shares are listed on the London Stock Exchange and the New York Stock Exchange. It has been listed with DSE in the year 1976. "Our business has the potential for significant impact on the environment, through the energy, water and resources that we use, and the waste we produce" - the reality is accepted in this straightcut manner. Thus, it aims to reduce its energy use and CO2 emissions by improving energy efficiency, using energy from renewable sources. In 2006, it used 19 million gigajoules of energy, approximately 1.4 per cent less than in 2005. Energy consumption per £ sales was 8.1 per cent lower than in 2005.

The ozone layer is essential to human survival because it filters out harmful ultra-violet rays from the sun. It has been damaged by ozone depleting substances (ODS), mainly chlorofluorocarbons (CFCs), hydrochlorofluorocarbons (HCFCs) and halons. Traditionally, CFCs were used as propellants in Metered dose inhalers (MDIs) - the devices used to deliver doses of medication to asthma sufferers. CFCs are ideal for this role because they are non-toxic, non-reactive, non-flammable, and have no odour or taste. However when a patient uses the MDI, the propellant is released into the atmosphere contributing to the depletion of the ozone layer. The Montreal Protocol bans the production of CFCs but exempts a number of "essential uses" which include MDIs. Nevertheless it plans to eliminate the use of CFCs from its products by 2010. In 2006, 186 thousand kilograms of CFC propellant were released when patients used its products. Ozone depletion potential from patient use of MDIs in the US and European Union was 52 per cent lower than in 2005.

It aims to improve the efficiency with which it converts raw materials to finished product. Pharmaceutical processes are typically very complex, often requiring relatively large amounts of solvent. Typically, the industry uses about 100 kilograms of raw material for every kilogram of pharmaceutical ingredient produced. In other words, 99 per cent of raw materials are wasted. It represents a waste of valuable resources, with financial as well as environmental consequences. It has set a target to double the average material efficiency of manufacturing processes for new products introduced between 2006 and 2010.

It established its EHS Plan for Excellence in 2001. This sets out its aspirations and includes specific, measurable targets for reducing environmental impact in key areas.

In 2006 the company reviewed and updated the Plan, and set new five year targets. The new plan includes renewed focus on fundamental environmental programmes, a commitment to transparent communication and strengthens focus on environmental sustainability through operational efficiency. As well as focussing on regulatory compliance and risk management it will also look for ways that its EHS programmes can add value to its business and create new opportunities. Its new targets commit them to achieving annual reductions per £ of sales as follows:

Energy use	1%
Solid waste	1%
Air emissions (volatile organic emissions)	2%
Water use	2%
Waste water (chemical oxygen demand)	3%

The company aims to eliminate completely ozone depleting substances by 2010 and to achieve an average 2 per cent materials efficiency in manufacturing processes for new products introduced between 2006 and 2010. Summary data on environment over a 5 years time period below gives the testimony that there is a significant improvement in the environmental performance made by the company.

Data Summary - Environment	**2002**	**2003**	**2004**	**2005**	**2006**
Number of contract manufacturers audited	16	28	35	41	36
Energy consumption (million gigajoules)	20	20	19	19	19
Water consumption (million cubic metres)	24	23	21	21	22
Ozone depletion potential from metered dose inhalers (tonnes CFC-11 equivalent)	1,500	782	464	273	186
Ozone depletion potential from production (tonnes CFC-11 equivalent)	121	72	59	51	23
Ozone depletion potential from refrigeration and other ancillary uses (tonnes CFC-11 equivalent)	7	3	3	3	1
Volatile organic compound emissions (thousand tonnes)	6	6	5	5	4
Global warming potential from energy sources (thousand tonnes CO2 equivalent)	1,734	1,750	1,666	1,693	1,666
Hazardous waste disposed (thousand tonnes)	58	56	69	63	67

Conclusions

Environmental reporting practices are done voluntarily in very small number of listed companies in Bangladesh. The level of disclosures is also very poor. Disclosures made are limited to descriptive information only without their quantification. There is no standard environmental reporting framework. The main problems involved in the environmental reporting are lack of provision for environmental reporting in the Companies Act, 1994, lack of separate International and/or National Accounting Standard, lack of understanding and awareness, lack of qualified and trained personnel and lack of motivation. The following suggestions can be put forward to overcome those problems: inclusion of provision regarding environmental reporting in the companies Act, development of accounting standard, making awareness, imparting training and motivation. Monetizing environmental issues may not be totally accurate but, economists, accountants have to give best estimates according to the current level of knowledge, and techniques used (US Environmental Protection Agency, 1995 and Hamid, 2002).

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IMPACT OF BASEL II ON THE REPORTING PRACTICES OF INDIAN COMMERCIAL BANKS

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ABSTRACT

The paper analyses the impact of Basel II on reporting practices of Indian Commercial Banks. The study has reviewed disclosure requirements as per RBI guidelines. Case study of State Bank of India was also analysed.

As part of the implementation of the Basel II, the Reserve Bank of India (RBI) have formulated, finalized, adopted and released comprehensive prudential guidelines on "Capital Adequacy and Market Discipline" on 27th April 2007. Foreign Banks operating in India and Indian Banks having operational presence outside India should adopt Standardized Approach (SA) for Credit Risk and Basic Indicator Approach (BIA) for Operational Risk for computing their capital requirements under the Revised Framework with effect from March 31, 2008. All other commercial banks (excluding Local Area Banks and Regional Rural Banks) are encouraged to migrate to these approaches under the Revised Framework in alignment with them but in any case, not later than March 31, 2009. The Basel II Framework has three components or three pillars. The Pillar I is the Minimum Capital Ratio while Pillar 2 and Pillar 3 are the Supervisory Review Process (SRP) and Market Discipline respectively. The purpose of Market discipline (detailed in Pillar 3) in the Revised Framework is to complement the minimum capital requirements and the supervisory review process. The aim is to encourage market discipline by developing a set of disclosure requirements which will allow market participants to assess key pieces of information on the scope of application, capital, risk exposures, risk assessment processes and hence the capital adequacy of the institution. This paper makes an attempt to study the efficacy and effectiveness of the framework / guidelines released by RBI relating to Market Discipline and the impact of Basel II on the Reporting Practices of Indian Commercial Banks.

With a view to adopting the Basel Committee on Banking Supervision (BCBS) framework on Capital Adequacy which takes into account the elements of Credit Risk in various types of

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assets in the Balance Sheet as well as off-balance sheet business and also to strengthen the capital base of banks, RBI decided in April 1992 to introduce a risk asset ratio system for banks in India as a capital adequacy measure.

RBI has issued guidelines to banks in June 2004 on maintenance of capital charge for market risks on the lines of "Amendment to the Capital Accord to incorporate market risks" issued by BCBS in 1996. The BCBS released the "International Convergence of Capital Measurement and Capital Standards: A Revised Framework" on June 26, 2004. The Revised Framework was updated in November 2005 to include trading activities and the treatment of double default effects and a comprehensive version of the framework was issued in June 2006 incorporating the constituents of capital and the 1996 amendment to the Capital Accord to incorporate Market Risk.

The Revised Framework seeks to arrive at significantly more risk-sensitive approaches to capital requirements to allow banks and supervisors to select approaches that are most appropriate for their operations and financial marks. The Revised Framework provides a range of options for determining the capital requirements for credit risk and operational risk to allow banks and supervisors to select approaches that are most appropriate for their operations and financial markets.

Objective of the Study

The objective is to highlight the changes on the reporting practices of Indian Commercial Banks in their Financial Statements / Audit Reports and also to evaluate the efficacy of such disclosures to the market participants.

Market Discipline: RBI Guidelines

General: The purpose of Market discipline in the Revised Framework is to complement the minimum capital requirements and the supervisory review process. The aim is to encourage market discipline by developing a set of disclosures requirements which will allow market participants to assess key pieces of information on the scope of application, capital, risk exposures, risk assessment process and hence the capital adequacy of the institution.

Why Market discipline?

Market discipline can contribute to a safe and sound banking environment.

Interaction with accounting disclosures

The Pillar 3 disclosure framework does not conflict with requirements under accounting standards, which are broader in scope.

Scope and Frequency of disclosures

Banks should provide all Pillar 3 disclosures, both qualitative and quantitative, as at March each year along with the annual financial statements. Banks may make their annual disclosures both in their annual reports as well as their respective web sites. Banks with capital funds of Rs.100 crores or more should make interim disclosures on the quantitative aspects on a stand alone basis on their respective websites as at the end of September each year. Qualitative disclosures that provide a general summary of a bank's risk management objectives and policies, reporting system and definitions may be published only on an annual basis. All Banks with capital funds of Rs.500 crores or more and their significant subsidiaries, must disclose their Tier 1 capital, total capital, total required capital and Tier 1 ratio and total capital adequacy ratio, on a quarterly basis on their respective websites. The disclosure on the websites should be made in a web page titled "Basel II Disclosures and the link to this page should be prominently provided on the home page of the bank's website. Each of these disclosures pertaining to a financial year should be available on the websites until disclosure of the third subsequent annual (March end) disclosure is made.

Validation

The disclosures in this manner should be subjected to adequate validation. Since information in the annual financial statements would generally be audited, the additional material published with such statements must be consistent with the audited statements. Pillar 3 disclosures will not be required to be audited by an external auditor, unless specified.

Materiality

The Bank should decide which disclosures are relevant for it based on the materiality concept. Information would be regarded as material if its omission or misstatement could change or influence the assessment or decision of a user relying on that information for the purpose of making economic decisions.

Proprietary and confidential information

Proprietary information encompasses information, that, if shared with competitors would render a bank's investment in these products / systems less valuable, and hence would undermine its competitive position.

General disclosure principle

Banks should have a formal disclosure policy approved by the Board of Directors that addresses the banks approach for determining what disclosures it will make and the internal controls over the disclosure process.

Scope and application

Pillar 3 disclosures applies at the top consolidated level of the banking group to which the Framework applies. Disclosures related to individual banks within the groups would not generally be required to be made by the parent bank. An exception to this arises in the disclosure of Total and Tier 1 Capital Ratios by the top consolidated entity where an analysis of significant bank subsidiaries within the group is appropriate.

Effective date of disclosures

The first of the disclosures as per these guidelines shall be made as on the effective date viz. March 31, 2008 or 2009, as the case may be.

The disclosure requirements: The disclosure requirements, released as guidelines by RBI are set out in tabular form in an abridged form.

Disclosure Requirements as per RBI Guidelines**

Table Reference	Scope	Details of disclosure
DF-1	Ownership - Name of the Top Bank - Group to which it belongs - Names of the JVs/Associates/Subsidiaries	*Qualitative:* Name of the top bank in the group to which the Framework applies - An outline of differences in the basis of consolidation for accounting *Quantitative:* The aggregate amount of capital deficiencies - The aggregate amounts of the banks total interest in insurance entities, which are risk weighted.
DF-2	Capital Structure	*Qualitative:* Summary of information on the terms and conditions of the main features of all capital instruments, especially in the case of capital instruments eligible for inclusion in Tier I or in Upper Tier 2. *Quantitative:* Amount of Tier I capital; Total amount of Tier 2 Capital, Debt Capital instruments, Subordinated debt eligible for inclusion in Lower Tier 2 capital; Other deductions from capital, if any and Total eligible Capital.
DF-3	Capital Adequacy	*Qualitative:* A summary of discussion of the bank's approach to assessing the adequacy of its capital to support current and future activities. *Quantitative:* Capital requirements for credit risk, Capital requirements for market risk, Capital requirements for Operational Risk, Total and Tier I Capital Ratio
DF-4	Credit Risk - General disclosures for all banks	*Qualitative:* General qualitative disclosure requirements with respect to credit risk. *Quantitative:* Total gross credit risk exposure, geographic distribution of exposures, residual contractual maturity, industry type distribution of exposures, amount of NPAs (Gross / Net), NPA Ratios, Movement of NPAs, Movement of NPA provisions, amount of NP Investments,

		Amount of provisions held for NP Investments, Movement of provisions for depreciation on investment
DF-5	Credit Risk - Portfolios	***Qualitative:*** Names of Credit Rating agencies, types of exposures for which each agency is used, process used to transfer public issue ratings onto comparable assets in banking books ***Quantitative:*** Amount of Bank Outstanding in 3 major buckets - as per risk weight age.
DF-6	Credit Risk Mitigation	***Qualitative:*** The general qualitative disclosures requirements with respect to credit risk mitigation. ***Quantitative:*** Total exposure that is covered by eligible financial collateral.
DF-7	Securitisation	***Qualitative:*** General qualitative disclosure requirement with respect to securitisation ***Quantitative:*** Total Outstanding exposures securitized by the Bank and subject to securitisation framework by exposure type
DF-8	Market Risk	***Qualitative:*** The General qualitative disclosure requirement for market risk including the portfolio covered by the standardized approach ***Quantitative:*** The Capital requirements for interest rate risk, equity position risk and foreign exchange risk.
DF-9	Operational Risk	***Qualitative:*** General qualitative disclosure requirements and approaches for operational risk capital assessment for which the bank qualifies.
DF-10	Interest Rate Risk	***Qualitative:*** Nature of IRRBB and key assumptions, including assumptions on loan prepayments and behaviour of non-maturity deposits and frequency of IRRBB measurement. ***Quantitative:*** The increase in earnings and economic value for upward / downward rate shocks according to management's method for measuring IRRBB, broken down by currency.

**abridged / condensed from RBI Circular [RBI/2006-2007/357 DBOD No.BP.BC.90/20.6.001/ 2006-2007 dated 27 April 2007] on Prudential Guidelines on Capital Adequacy and Market Discipline - Implementation of the New Capital Adequacy Framework.

Recent changes in the Reporting Practices

Inasmuch as RBI stipulated the disclosure requirements from the year March 2008 / 2009, major changes in the disclosures relating to Basel II requirements (Capital Adequacy and related items) could be seen in the Audit Reports / Annual Financial Statements of major Indian commercial Banks in the published Annual Accounts wef 31.3.2008 For the purpose of this study, these recent changes prior to issuance of the RBI guidelines and after issuance of the guidelines are briefly discussed hereunder, by considering the position obtaining in State Bank of India, India's largest commercial Bank, as a case study.

Case Study - State Bank of India:

Position prior to (31.3.2008) disclosure guidelines

A perusal of the Annual Report of State Bank of India, for the year 2006-2007 refers to i) Risk Governance Structure ii) Credit Risk Management iii) Market Risk Management iv) Asset Liability Management, v) Basel II implementation, vi) Operational Risk Management, Country Risk and Bank Exposure, by way of a passing reference under the heading "Risk Management & Internal controls" in paragraph I, page 43 of its Annual Report 2006-07. Some of the salient features published by SBI in their Annual Report referred to above are summarized hereunder:

- An independent Risk governance structure in line with international best practices has been put in place.
- An independent position of "Chief Risk Officer" has been created to ensure integrated risk management for credit, market and operational risks.
- The existing Credit Risk Assessment has been enlarged to meet the requirements of the Basel II accord.
- Bank has developed sensitive tools to hedge and minimize the risks arising out of movement in interest rates, currency exchange rates and commodity prices.
- Bank is updating / fine turning Systems & Procedures, Technology capabilities, Risk Assessment, Risk governance Structure etc, to meet the requirements of the Advanced approaches, for the present, the Bank proposes to migrate to Basel II with the Basic Approaches, in line with RBI guidelines.

It maybe pertinent to note that that prior to 31.3.2008, banks disclosure and reporting practices were merely limited to explaining their approach to the entire gamut of Risk Management initiatives. It is only since 31.3.2008, all major Commercial Banks India commenced a detailed disclosure as a result of RBI guidelines. These major changes relating to reporting requirements are briefly explained hereunder:

Position after (31.3.2008) disclosure guidelines:

The Bank (SBI) has published a separate chapter containing a host of information, under the heading "Pillar III - Market Discipline Disclosures", in pages 201-221 of its Annual Report for the year 2007-2008. A summary of the highlights of the said chapter is presented hereunder, for a quick reference.

Table Ref	Scope	Disclosure Particulars
DF-1	Name of Top Bank, Associates, JVs etc	Main Bank: State Bank of India Holding of SBI in its 19 Domestic; 8 overseas subsidiaries, 2 domestic JVs and 28 other companies furnished along with details of valuation, methodology for consolidation, alongwith qualitative factors, detailed
DF-2	Capital Structure	Equity (Tier i), Innovative Instruments (Tier-2), Tier II Capital structure, features furnished. Equity: Rs. 631.47 crs --- Tier I Capital: Rs.65,470.89 crs Tier II Cpital: Rs.30,573.66 crs Total Eligible Capital: Rs.96,044.55 crs
DF-3	Capital Adequacy	A summary of discussion of the Banks approach to assessing the adequacy of the Capital to support current and future activities. Capital requirements for CR: Rs.59241.33 crs@ 9% CAR Capital requirements for MR: Rs. 4260.58 crs@ 9% CAR Capital requirements for OR: Rs. 4531.79 crs@ 9% CAR Capital Adequacy Ratios of SBI: [Tier I: 8.48%; Total: 12.64%] and Associate / Subsidiaries of SBI furnished.
DF-4	Credit Risk - General disclosures	Definitions of 'Past Due' and 'Impaired assets', 'Out of Order status', 'Overdue', furnished, along with a discussion of the Banks Credit Risk Management Policy. Quantitative disclosures included here under are: Total Gross Credit Risk exposure [Rs.783341.30crs]; Geographical distribution; Industry type distribution of exposure; Gross NPAs [Rs.15,817.38 crs], Net NPAs [Rs.8,683.58 crs] , Movement of NPAs, Movement of NPA Provisions etc.
DF-5	Credit Risk	Disclosures for Portfolios subject to Standardized Approach - Names of Credit Rating Agencies used, Types of exposures for which each Agency is used; Description of the process used to transfer Public Issue Ratings onto comparable asses in Banking Books. Quantitative disclosure: Rs.6,24,309.39 crs
DF-6	Credit Risk Mitigation	Policies and Processes for Collateral Valuation & Management; Description of the Main Types of Collateral taken by the Bank; Main types of Guarantor Counter Party and their Credit worthiness, Information about Market or Credit Risk concentration within the mitigation taken are discussed.

DF-7	Securitisation	Banks objectives in relation to Securitisation; Policy on Loss on sale on transfer of assets, Policy on Profit on sale of the Securitised assets are discussed here.
DF-8	Market Risk in Trading Book	The policy and processes for determining Market Risk are discussed. Minimum regulatory capital requirements for market risk as on 31.3.2008 are Rs.4,260.58 crores
DF-9	Operational Risk Management	Banks policy, approach, methodology relating to OR discussed here.
DF-10	Interest Rate Risk in the Banking Book	Banks policy, approach, methodology relating to IRR discussed here.

Impact of Revised Disclosure / Reporting Practices on

Banking Industry

The disclosure requirements, as enunciated by RBI are applicable to the entire banking industry. Its impact is likely to be positive since these measures aim at strengthening the overall Risk Management framework of the Banks by bringing in 'transparency' which was otherwise missing in the published financial statements of the Banks.

Investors

The disclosures will certainly help the investing public including Institutional investors in apprising the financial / operational strengths and weakness of the banks, its subsidiaries, associates, joint ventures more objectively

Competitors

With the availability of crucial data / information, published by the banks as part of their audited financial statements / audit reports and making available the information on the public domain of their web sites, the banks can now assess, compare and evaluate their own financial position, vis-à-vis other banking units with improved ease and comfort.

Regulators

Publishing the data will help the regulators to study the implications and make suitable changes to the disclosure guidelines meeting the ever changing requirements of the market participants.

Conclusions

Implementation of Basel II has been described as a long journey rather than a destination by itself. Undoubtedly, the implementation will strengthen the overall Risk Management framework of all the Commercial Banks, whether in India or abroad by re-assessing the various components of risks faced by the banks, such as Credit Risk, Market Risk, Operations Risk and making appropriate capital provisioning for meeting the challenges of these Risks.

Disclosures formed an important outcome of the provisions of Basel II accord, which, all the commercial banks in India will have put in place, as per the guidelines furnished by RBI from 31.3.2008 / 31.3.2009. All major Indian Commercial Banks have accordingly, put in place an appropriate disclosure framework, making it part of their Audit Reports / Audited P&L A/cs & Balance Sheets. In the light of the above disclosure requirements, there have been a , significant changes in the Reporting Practices of Banks.

Banks have been traditionally conservative in their approach towards disclosures and have been confining themselves to publication of the P&L A/c, Balance Sheet etc only to the extent of statutory requirements and this position was not giving adequate transparency to some of the important dimensions such as Risk Management initiatives. The RBI guidelines of March 2007 have however brought in a sea change in the disclosure requirements and the biggest advantage is greater transparency relating to Capital Structure and Risk Management initiatives. A critical overview of these mandatory disclosures, as implemented by some of the major commercial banks in India such as SBI, ICICI Bank, Bankof Baroda, indicate greater transparency, [which was unheard in the banking history till now] in the published financial statements of the Banks. Among others, Banks will have to now publish its policy, framework, methodology, and quantitative results relating to very important aspects of Risk Management, such as Capital Structure, Capital Adequacy, NPA Portfolio, Quantitative / Qualitative disclosures relating to Credit Risk, Market Risk, Operational Risks, along with Interest Rate Risk in the Banking Book. Now it would be for the market operators to make use of this valuable data for their own analysis, inference and conclusions.

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CAPITAL MARKET IN INDIA AND ABROAD: A COMPARATIVE ANALYSIS

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ABSTRACT

A number of reforms in the area of Indian capital market, particularly the establishment and empowerment of SEBI, market-determined allocation of resources, screen based nation-wide trading, dematerialization of securities, trading in shares compulsorily in dematerialized form, rolling settlement, sophisticated risk management and derivatives trading have greatly improved the regulatory framework and efficiency of trading and settlement. Indian Capital Market is now comparable with the same of many developed economies in terms of a number of qualitative parameters. In this article, an attempt has been made to make a comparative study of the position of the Indian Capital Market with the same in some selected countries abroad covering developed as well as emerging markets, with the help of data for the period from 2001 to 2005. In the present study the international comparison has been made under the following heads: A. Comparison of Number of Trading Days on Stock Exchanges in India and Abroad; B. Comparison of Exchanges by Number of Listed Companies; C. Comparison of Ranks of Biggest Stock Exchanges by Number of Transactions; and D. International Comparison of Market Capitalization.

A. Comparison of Number of Trading Days on Stock Exchanges in India and Abroad

The following table shows a picture of number of trading days at the end of December of three calendar years 2003, 2004 and 2005 on some selected stock exchanges in India and abroad. Here the stock exchanges include 5 (five) stock exchanges from Americas, 6 (six) stock exchanges from Europe-Africa-Middle East and 14 (fourteen) stock exchanges from Asia-Pacific, including two premier stock exchanges from India.

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Table 1
Number of Trading Days on Some Stock Exchanges in India And Abroad

Name of Stock Exchanges	No. of Trading Days at End December of		
	2003	2004	2005
Americas			
American Stock Exchange	251	251	254
Mexican Exchange	**257 (Jt. Second)**	**257 (Jt. Second)**	**255 (Jt. Second)**
Nasdaq	252	252	252
New York Stock Exchange (NYSE)	252	252	252
Sao Paulo Stock Exchange	249	249	249
Europe - Asia Middle East			
Deutsche Borse Euronext	**257 (Jt. Second)**	**257 (Jt. Second)**	**255 (Jt. First)**
JSE South Africa	**257 (Highest)**	**257 (Highest)**	**255 (Jt. First)**
London Stock Exchange	251	251	251
Luxem Burg Stock Exchange	254	254	252
Swiss Exchange	254	254	252
Asia - Pacific			
BSE, Mumbai	254	254	251
NSE, Mumbai	254	254	251
Australian Stock Exchange	**255 (Lowest)**	**255 (Lowest)**	**255 (Lowest)**
Colombo Stock Exchange	240	240	238
Hong Kong Stock Exchange	249	249	247
Korea Exchange	249	249	247
New Zealand Exchange	253	253	251
Osakha Stock Exchange	246	246	245
Sanghai Stock Exchange	243	243	242
Singapore Exchange	253	253	250
Tokyo Stock Exchange	246	246	245
Taiwan Stock Exchange Corporation	250	250	247
Philippine Stock Exchange	247	247	246
Thailand Stock Exchange	245	245	245

Source : SEBI Hand Book of Statistics on Indian Securities Market, December, 2006

It is seen that the minimum number of trading days in stock exchanges of the selected countries is 240 days for both the years 2003 and 2004 and 238 days for the year 2005. The maximum number of trading days in these stock exchanges is 259 days for both the years 2003 and 2004 and it is maximum at 257 days for the year 2005. It is interestingly noted that in all the years in Colombo Stock Exchange trading took place for the lowest number of trading days while the Euronext Exchange experienced the highest number of trading days. After remaining the second highest, in a row for two years (i.e. 2003 and 2004), in respect of trading days, the Deutsche Borse Exchange joined hands with the Euronext Exchange and became the joint first in the year 2005. The Mexican Exchange which was second highest (jointly second with the Deutsche Borse Exchange) for the years 2003 and 2004, having 257 trading days for both the years, became the joint second with Swiss Exchange in the year 2005, though its trading days came down to 255 days. In our country, on two premier stock exchanges, namely BSE and NSE the number of trading days in all the three calendar years was more than the mean value of trading days of all the selected stock exchanges. Another interesting observation is that in the year 2005 both these two stock exchanges remained open for trading for equal number of days (i.e. 251days). The standard deviation of the number of trading days in the selected stock exchanges world-wide for the years 2003, 2004 and 2005 was 4.5960, 5.4915 and 4.5917 respectively (i.e. 5 days rounded off in all the years).

B. Comparison of Exchanges by Number of Listed Companies

Table 2 gives the data in respect of number of listed companies at the end of December of the years 2001 to 2005 on the aforesaid selected stock exchanges. The table reveals that in respect of number of companies listed on various selected stock exchanges of the world in all the years from 2001 to 2005, the BSE of Mumbai ranked 1st, the Nasdaq Stock Exchange ranked 2nd and the Australian Stock Exchange ranked 6th . NSE held rank 9th upto 2003 and its rank in 2004 and 2005 was 10th . In 2004 and 2005 the BSE, Mumbai ranked 1st, Nasdaq ranked 2nd, London SE ranked 3rd, Tokyo SE ranked 4th and the ranks 5th to 10th were held by New York Stock Exchange , Australian SE, Euronext ,Hong Kong, Osaka SE and NSE respectively.

It is interesting to note that so far the matter of number of companies listed on various stock exchanges World-wide is concerned , the ranks held by various stock exchanges during the period from 2001 to 2005 did not differ too much. In the case of New York Stock Exchange, this rank was 3rd in 2001 and 2002, 4th in 2003, and it came down to 5th rank in 2004 and 2005. The rank 8th of Euronext in 2001 and 2002 uplifted to 7th rank in 2003, 2004 and 2005. London SE's rank improved by 1 point to 3rd rank in 2003 (which continued up to 2005) from its previous rank 4th in 2001 and 2002. Osaka SE's rank came down by 1 point from its rank 7th in 2001 and 2002 to 8th in 2003, and again its rank fell by one point to 9th rank for the years 2004 and 2005. Tokyo Stock Exchange's rank 5th for 2001 to 2003, uplifted to 4th in 2004 and it could retain this 4th rank in 2005 also. Another interesting observation is that, of the total 25 stock exchanges stated in the table, the number of listed companies increased in 2005 from its previous level of 2001 in the case of 13 stock exchanges and such number decreased in 12 cases. Out of these, of the total 5 Americans stock exchanges, only one stock exchange (i.e. Mexican SE), the increase in number of listed companies is seen. Such increase is seen in the case of 2 (two) stock exchanges out of total 6 (six) selected stock exchanges in the region of Europe-Africa-Middle East. The number of stock exchanges registering higher number of listed companies in 2005 compared to the level in 2001 is the highest in Asia-Pacific region. Out of total 14 selected stock exchanges of the Asia-Pacific region, the increase in number of listed companies has occurred on 10 (ten) stock exchanges. It is seen that out of 5 top rank holders of the year 2005 (i.e. BSE, Nasdaq, London, Tokyo and New York stock exchanges), there has been an increase in number of listed companies in the case of 3rd and 4th rank holders (i.e. London and Tokyo stock exchange respectively) and in the case of remaining 3 rank holders (i.e. BSE - the 1st, NASDAQ - the 2nd and New York - the 5th) there has been a fall in the number of listed companies over the years.

Table 2
No. of Listed Companies on Selected Exchanges in India and Abroad

Exchanges	No. of Listed Companies at End December of the Year				
	2001	2002	2003	2004	2005
Americas					
American SE	606	571	557	575	595
Mexican Exch.	172	169	237	326	326
Nasdaq	**4063 (2nd)**	**3649 (2nd)**	**3294 (2nd)**	**3229 (2nd)**	**3164 (2nd)**
New York SE	**2400 (3rd)**	**2366 (3rd)**	**2308 (4th)**	**2293 (5th)**	**2270 (5th)**
Sao Paulo SE	441	412	391	388	381
Europe-Africa-Middle East					
Deutsche Borse	983	934	866	819	764
Euronext	**1195 (8th)**	**1114 (8th)**	**1392 (7th)**	**1333 (7th)**	**1259 (7th)**
JSE South Africa	532	451	411	389	373
London SE	**2332 (4th)**	**2272 (4th)**	**2692 (3rd)**	**2837 (3rd)**	**3091 (3rd)**
Luxembourg SE	257	245	242	234	245
Swiss Exchange	412	398	419	409	400
Asia-Pacific					
BSE, Mumbai	**5795 (1st)**	**5650 (1st)**	**5644 (1st)**	**4730 (1st)**	**4763 (1st)**
NSE, Mumbai1	**1041 (9th)**	**916 (9th)**	**911 (9th)**	**957 (10th)**	**1034 (10th)**
Australian SE	**1410 (6th)**	**1421 (6th)**	**1471 (6th)**	**1583 (6th)**	**1714 (6th)**
Colombo SE	238	238	244	242	239
Hong Kong SE	867	978	1037	**1096 (8th)**	**1135 (8th)**
Korea Exchange	688	679	684	683	1616
New Zealand Exch	195	199	184	200	185
Osaka SE	**1335 (7th)**	**1312 (7th)**	**1140 (8th)**	**1090 (9th)**	**1064 (9th)**
Sanghai SE	646	715	780	837	833
Singapore Exch.	492	501	560	633	686
Tokyo SE	**2141 (5th)**	**2153 (5th)**	**2206 (5th)**	**2306 (4th)**	**2351 (4th)**
Taiwan SE Corp.	586	641	674	702	696
Philippine SE	231	234	234	235	237
Thailand SE	385	398	420	463	504

Contd.

Source: SEBI Hand Book of Statistics on the Indian Securities Market, December, 2006, p. 195.

C. Comparison of Ranks of Biggest Exchanges by Number of Transactions

The Table No. 3 below shows the ranks measured by number of transactions per calendar year in respect of the aforesaid selected stock exchanges for the four calendar years 2002 to 2005. Out of these top ranker stock exchanges, two exchanges are from India and other eight stock exchanges are from abroad.

Table-3

Ranks of Biggest Stock Exchanges by Number of Transactions

Exchanges	Rank in 2002	Rank in 2003	Rank in 2004	Rank in 2005
NASDAQ	1	1	1	2
NYSE	2	2	2	1
NSE	3	3	3	3
Shanghai	5	4	4	6
BSE	7	5	5	5
Korea	4	7	6	4
Taiwan	6	6	7	8
Shenzhen	8	8	8	7
Deutsce Borse	9	9	9	9
London (Euronext)	12	11	10	10

Source: Economic Survey of Govt. of India, 2005-06, p. 69

The table exhibits that among the biggest exchanges measured by the number of trades per calendar year, both the NSE and the BSE of India have scored very good ranks. As per Economic Survey, 2005-06 of the Government of India (Page No. 68) the trading intensity of Indian stock exchanges is impressive by world standard .The National Stock Exchange (NSE) retained rank 3 in all the four years from 2002 to 2005. The Bombay Stock Exchange (BSE-Mumbai) climbed from rank 7 of the year 2002 to rank 5 in 2003, and has maintained this rank up to 2005.

Nasdaq, the top rank holder in a row from 2002 to 2004 has lost 1 point in 2005, when its rank came down to 2. The NYSE stood 1st in 2005 and in previous three years its rank was 2. The Sanghai Stock Exchange whose rank was 5 in 2002 improved by 1 point in 2003 (i.e. its rank became 4) and maintained the same rank in a row of two years up to 2004 but in the year 2005 it lost ground and its rank fell to 6. In 2005 the Korea Stock Exchange could manage to restore the rank 4 of the year 2002, though its ranks in 2003 and 2004 were 7 and 6 respectively. On the basis of number of transactions, the Taiwan Stock Exchange was the 6th exchange in 2002 and 2003, and afterwards its rank reached 7 by slipping 1 position in the year 2004, and again in 2005 it lost another 1 point when it occupied the 8th position. The rank of Shenzhen Exchange was 8 in a row of three years from 2002 to 2004, and in the year 2005 its rank improved by 1 point to the rank of 7. In all the four years the Deutsche Brose exchange of held the 9th position. The Euronext exchange of London is found to improve its position gradually. It improved its rank from 12th in 2002 to 11th in 2003 and further improved the position to 10th rank in 2004 and it could manage to maintain this rank in the next year also i. e. in 2005.

D. International Comparison of Market Capitalization

Growth of market capitalization is an important indicator of development for the capital market in any country. Over a number of years market capitalization (MC) has increased substantially in almost all exchanges Worldwide. For the purpose of international comparison, in the following table (Table No. 4), we reproduce data for MC for calendar years 2001 to 2005 on Mumbai Stock Exchange (BSE) and other nine stock exchanges from abroad. Here, the foreign countries include the countries from Americas, from Europe- Africa- Middle East and from Asia-Pacific.

Table - 4

Market Capitalization of BSE of India and Selected Stock Exchanges Abroad

[US $ Million]

Exchanges	2001	2002	2003	2004	2005
Americas					
NASDAQ	2739675	1994494	2844193	3532912	3603985
NYSE	11026587	9015271	11328953	12707578	13310592
Sao Paulo SE	186238	126762	226358	330347	474647
Europe-Africa-Middle East					
Euronext	1889455	1538654	2076410	2441261	2706804
London SE	2164716	1800658	2460064	2865243	3058182
Asia-Pacific					
BSE,Mumbai	109243	130390	278663	386321	553074
Australian SE	375598	380087	585431	776403	804015
Hong Kong Exchange	506073	463055	714597	861463	105499
Korea Exchange	194470	215662	293874	389473	718011
Tokyo SE	2264528	2069299	2953098	3557674	4572901

Source : SEBI Hand Book of Statistics on Indian Securities Market, Dec. 2006

Note : Above Market Capitalizations are at end of December of various years

With the help of SPSS software 15.0 version these data have been analyzed and a correlation matrix of 10 variables (i.e. MC of ten stock exchanges as stated in the above table) has been prepared. In this correlation matrix (N= 5, i.e. for the years 2001 to 2005) Pearson's Correlation Coefficients (bivariate) and their significance levels have been shown.

Correlation Matrix of Market Capitalization of BSE and other selected Stock Exchanges

Exchanges	NAS-DAQ	NYSE	Sao Paulo	Euro-next	London	Austra-lian	Hong Kong	Korea	Tokyo	BSE
NASDAQ	1	0.995**	0.910*	0.977**	0.981**	0.910*	0.911*	0.768	0.895*	0.862*
NYSE	0.995**	1	0.925*	0.984**	0.982**	0.896*	0.920*	0.795	0.910*	0.872*
Sao Paulo	0.910*	0.925*	1	0.972**	0.951**	0.913*	0.976**	0.964**	0.990**	0.970**
Euronext	0.977**	0.984**	0.972**	1	0.996**	0.945**	0.974**	0.882*	0.969**	0.945**
London	0.981**	0.982**	0.951**	0.996**	1	0.962**	0.972**	0.850*	0.957**	0.940**
Australian	0.909*	0.896*	0.913*	0.945**	0.962**	1	0.970**	0.843*	0.946**	0.960**
Hong Kong	0.911*	0.920*	0.976**	0.974**	0.972**	0.970**	1	0.936**	0.995**	0.993**
Korea	0.768	0.795	0.964**	0.882*	0.850*	0.843*	0.936**	1	0.964**	0.956**
Tokyo	0.895*	0.910*	0.990**	0.969**	0.957**	0.946**	0.995**	0.964**	1	0.993**
BSE	0.862*	0.872*	0.970**	0.945**	0.940**	0.960**	0.993**	0.956**	0.993**	1

Note: ** indicates that Correlation is significant at the 1% level.

* indicates that Correlation is significant at the 5% level.

From the output of correlation matrix, it is seen that market capitalization of any two stock exchanges in all the cases is positively and strongly correlated. In each of the cases, the correlation coefficient is also statistically significant.

Results of correlation analysis between market capitalization of BSE of India and the same of other 9 (nine) selected stock exchanges from abroad exhibit that correlation coefficient between MC of BSE and MC of NASDAQ is 0.862, and such correlation coefficient between BSE and NYSE is 0.872. These correlations are significant at 5% level of significance. It is further seen that BSE's MC has stronger positive correlations with the MC of other 7 (seven) selected international stock exchanges and in all these cases correlations are statistically significant at 0.01 i.e. 1% level of significance. Such correlation coefficients between MC of BSE and the MC of Sao Paulo, Euronext, London, Australian, Hong Kong, Korea and Tokyo are 0.970, 0.945, 0.940, 0.960, 0.993, 0.956 and 0.993 respectively.

Further, to study the dependence of BSE's MC on MC of international stock exchanges, the Multiple Regression Analysis has been done and for this, MC of a stock exchange from Americas i.e. NASDAQ stock exchange, MC of one stock exchange from Europe i.e. London stock exchange and the same from one stock exchange from Asia-Pacific i.e. stock exchange of Tokyo have been taken as the predictor variables while BSE's MC is taken as the dependent variable. The Regression Model Summary is as below:

Regression Model Summary

R	R Square	Adjusted R Square	Std. Error of the Estimate
0.998	0.995	0.982	25133.79753

Predictors: (Constant), MC of NASDAQ, MC of London, MC of Tokyo
Dependent Variable: MC of BSE

The Regression Analysis reveals that the value of R Square is 0.995. It indicates that 99.5% of variation in BSE's MC is explained by the MC of three international stock exchanges namely - NASDAQ, London and Tokyo, and the unexplained portion is almost nil.

Again, by taking each of the above three predictors variables separately (i.e. by taking one predictor variable at a time) while MC of BSE is the dependent variable in each case, the following regression model summaries are available.

Regression Model Summary - 1

R	R Square	Adjusted R Square	Std. Error of the Estimate
0.862	0.743	0.657	108215.488

Predictor: (Constant), MC of NASDAQ, Dependent Variable: MC of BSE

Regression Model Summary - 2

R	R Square	Adjusted R Square	Std. Error of the Estimate
0.940	0.883	0.844	73079.63275

Predictor: (Constant), MC of London, Dependent Variable: MC of BSE

Regression Model Summary - 3

R	R Square	Adjusted R Square	Std. Error of the Estimate
0.993	0.986	0.981	25292.71153

Predictor: (Constant), MC of Tokyo
Dependent Variable: MC of BSE

The R Square values of the aforesaid Regression Model Summaries indicate that in the regression equation the predictor variable MC on NASDAQ explains 74.3% of variation, the predictor variable MC on London stock exchange explains 88.3% variation, and MC on Tokyo Stock exchange explains 98.6% of variation in the dependent variable i.e. MC on BSE.

From the results of the aforesaid regression analysis this portion of our study may be concluded by saying that market capitalization on Indian stock exchanges are highly influenced by the market capitalization prevailing on the major international stock exchanges like NASDAQ, London, and Tokyo.

Conclusion

From the aforesaid analyses and discussions it is seen that in our country, two premier stock exchanges, namely BSE and NSE are very active, both having a good number of trading days every year. In respect of number of listed companies, the oldest Stock exchange of India i.e. BSE, Mumbai has emerged as the first among all the selected stock exchanges worldwide , and the NSE which started operation only a few years ago (i.e. in 1995) has also been able to make its own position by placing itself in the list of ten toppers.

Among the biggest exchanges measured by the number of trades per calendar year, both the NSE and the BSE of India have scored very good ranks. Among the top rankers of the world, now BSE's rank, on the basis of number of trades per year, is 5th .

As in the cases of the developed countries, over a couple of years, Market capitalization on BSE showed a phenomenal growth. Market Capitalization on Indian stock exchanges was highly influenced by the Market Capitalization of the major international stock exchanges like NASDAQ, London and Tokyo.

As P/E Ratios of Indian stock indices are still very low, Indian market is being continuously preferred by the foreign investors. The only cause of concern of Indian capital market is its high annualized volatility. But our study shows that even with much higher volatility than the international volatility rate, the two major Indian stock indices, namely Sensex and Nifty posted impressive year-on- year Index Return in the years ending 31st March of 2004 and 2005. Hence, even with its present volatile condition, Indian capital market has the potentiality to attract the foreign as well as domestic investors in the coming days.

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FINANCIAL HEALTH OF STEEL AUTHORITY OF INDIA LIMITED: A Z-SCORE APPROACH

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ABSTRACT

Edward Altman was the first person to apply discriminant analysis in finance for studying bankruptcy. His study helped in identifying five ratios that were efficient in predicting bankruptcy. Each ratio is assigned a weight and summed together to produce the Z-Score. In this paper; an attempt has been made to use Edward Altman's Z score to predict the corporate failure of Steel Authority of India Limited.

William Beaver compared the financial ratios of 79 manufacturing firms that subsequently failed with the ratios of 79 that remained solvent.[1] His study revealed five ratios which could discriminate between the failed and non failed firms. Theses ratios are: 1) cash flow to total debt, 2) net income to total assets, 3) total debt to total assets 4) working capital to total assets, and 5) current ratio. As expected, failed firms had more debt and lower return on assets. They had less cash but more receivables as well as low current ratios. They also had fewer inventories.

In the Indian context L.C Gupta[2] attempted a refinement of Beaver's method with the objective of building a forewarning system of corporate sickness. A simple non-parametric test for measuring the relative differentiating power of the various financial ratios was used. The test is based on taking a sample of sick and non sick companies, arraying them by the magnitude of each ratio to be tested selecting a cut off point which divided the array into two classes with a minimum possible number of misclassifications, and then computing the percentage classification error.[3] The cut off point is determined by visual inspection. The percentage classification error is determined as number of misclassification divided by the number in the sample the ratio which results into the lowest percentage classification error is the most efficient ratio.

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Edward Altman was the first person to apply discriminant analysis in finance for studying bankruptcy.[4] His study helped in identifying five ratios that were efficient in predicting bankruptcy. Each ratio is assigned a weight and summed together to produce the Z-Score. The model was developed from a sample of 66 firms - half of which went bankrupt. He derived the following discriminant function:

Z (Discriminant function score of a firm) = $\mathbf{0.012X_1+0.014X_2+0.033X_3+0.006X_4+0.0999X_5}$

The five ratios used in the model are as follows.

Working Capital to Total Assets (X_1)

This is a measure of the net liquid assets of the firm in relation to total assets. This liquidity ratio, which records net liquid assets relative to total capitalization, is the most valuable indicator of a looming business disaster. Consistent operating losses will cause current assets to shrink relative to total assets. A negative ratio, resulting from negative networking capital, is a serious problem. This ratio is computed with the help of the following formula.

Working Capital to Total Assets = Working Capital / Total Assets * 100

Retained Earnings to Total Assets (X_2)

This is a more significant factor. The age of a firm is implicitly considered in this ratio. New firms are likely to have low figures for this ratio, because they have not had time to build up their cumulative profits. A negative ratio is a warning sign of cloudy skies. However, results can be distorted by manipulated retaining earnings data. To calculate this ratio the following formula was applied

Retained Earnings to Total Assets = Retained Earnings / Total Assets * 100

EBIT to Total Assets (X_3)

This ratio is a measure of the true productivity of the firm's assets. To calculate this ratio the following formula was applied

EBIT to Total Assets = EBIT / Total Assets * 100

Market Value of Equity to Book value of Debt (X_4)

This ratio measures the market perception of the firm's performance which is reflected in market value. This ratio is computed with the help of the following formula.

Equity to Debt = Market value of Equity / Book value of Debt * 100

Sales to Total Assets (X_5)

The sales turnover ratio measures the firm's ability in utilizing its assets. Higher ratio is an indicator of better performance and poor ratio indicates underutilization of assets. This ratio is computed with the help of the following formula.

Sales to Total Assets = Sales / Total Assets * 100

Guideline to Judging the Z - Score

Altman, on the basis of his analysis, established a guideline Z score which can be used to classify firm as either financially sound - a score above 2.675 - or headed towards bankruptcy - a score below 2.675. The lower the score, the greater the likelihood of bankruptcy and vice versa. This model is about 70% accurate as much as five years prior to bankruptcy.[5]

Methodology & Data Sources

A moderately lengthy period was deemed necessary to arrive at meaningful and purposeful inferences. A ten year period beginning at 1998-99 and ending with 2007-08 was adopted for the present study. The data has been collected from the secondary sources comprises of published Annual reports, various journals and information from the related websites. The collected data was classified, tabulated and analyzed in a systematic manner. For the data analysis financial tool like ratio and Altman's Z - Score are used in the present study. The objective of the paper is to identify the financial health of SAIL, since it was a loss earning organization from the year 1998-99 to 2002-03. The management of public sector plants, viz., Bhilai, Durgapur and Rourkela is vested in the state owned Hindustan Steel Ltd., a subsidiary of SAIL. Steel Authority of India Limited is the leading and No.1 steel producing company in India.[6] It is a fully integrated iron and steel maker, producing both basic and special steels for domestic construction, engineering, power, railway, automotive and defense industries and for sale in export markets. It was ranked amongst the top ten public sector companies in India in terms of turnover, SAIL manufactures and sells a broad range of steel products, including hot and cold rolled sheets and coils, galvanized sheets, electrical sheets, structural, railway products, plates, bars and rods, stainless steel and other alloy steels. SAIL produces iron and steel at five integrated steel plants and three special steel plants, located principally in the eastern and central regions of India and situated close to domestic sources of raw materials, including the company's iron ore, limestone and dolomite mines. SAIL's wide range of long and flat steel products are much in demand in the domestic as well as the international market.

Z- Score Analysis of Steel Authority of India Limited

For the purpose of predicting the financial health and capability of SAIL, the Z-Score method has been applied. The data has been obtained from the company's financial statements. The Z- score of the company has been computed for the last ten years. The table 2 showed the computation of various ratios for the purpose of arriving the Z- Score of the company. Z- Score formula has been applied and the values of Z - Score have been derived as seen in the Table 3.

Conclusion

The Z score of the SAIL showed a rising trends throughout the study period and it ranging from 4.537 in 1998 -99 to 29.97 in 2007-08, during the study period the Z score of the SAIL showed above 2.65 (the judging criteria) in all years and also it showed a tremendous change in the liquidity and solvency of SAIL therefore it can be concluded that financial health of the SAIL was good.

Table 1
Components used in the Z Score Analysis

Year	Net Working Capital	Total Assets	Retained Earnings	EBIT	Net Sales	Market Value of Equity	Book Value of Debt
2007-08	16879	40279	18874	11720	39508	76405	3045.24
2006-07	13879	33176	13054	9755	33923	46669	4180.52
2005-06	9276	30304	8255	6174	27860	34279	4297.62
2004-05	7579	27038	5881	9970	28523	26019	5769.79
2003-04	2050	21625	529	3529	21297	13216	8690.06
2002-03	2505	21679	-2141	1018	16837	3717	12927.94
2001-02	2258	22461	-1878	-145	13519	2065	14019.36
2000-01	3088	24760	33	1023	14110	2478	14250.68
1999-2000	3232	25607	635	69	14311	3304	15082.41
1998-99	6519	32295	2756	399	13138	2478	21017.25

Source: Computed

Table 2
Ratio used in The Z- Score Analysis

Year	X_1	X_2	X_3	X_4	X_5
2007-08	41.91	46.86	29.1	2509.00	98.09
2006-07	41.83	39.35	29.4	1116.34	102.3
2005-06	30.61	27.24	20.37	797.628	91.94
2004-05	28.03	21.75	36.87	450.952	105.5
2003-04	9.48	2.446	16.32	152.082	98.48
2002-03	11.55	-9.88	4.696	28.7517	77.67
2001-02	10.05	-8.36	-0.646	14.7296	60.19
2000-01	12.47	0.133	4.132	17.3886	56.99
1999-2000	12.62	2.48	0.269	21.9063	55.89
1998-99	20.19	8.534	1.235	11.7903	40.68

Source: Computed

Table 3
Z - Score of SAIL

Year	X1	X2	X3	X4	X5	Z-Score
2007-08	41.91	46.86	29.097	2509	98.09	26.97
2006-07	41.83	39.35	29.404	1116.3	102.3	18.94
2005-06	30.61	27.24	20.374	797.63	91.94	15.39
2004-05	28.03	21.75	36.874	450.95	105.5	15.1
2003-04	9.48	2.446	16.319	152.08	98.48	11.44
2002-03	11.55	-9.88	4.6958	28.752	77.67	8.087
2001-02	10.05	-8.36	-0.646	14.73	60.19	6.084
2000-01	12.47	0.133	4.1317	17.389	56.99	6.085
1999-2000	12.62	2.48	0.2695	21.906	55.89	5.91
1998-99	20.19	8.534	1.2355	11.79	40.68	4.537

Source: Computed

End Notes

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FRAMING OF A MODEL QUESTION PAPER OF ACCOUNTANCY

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ABSTRACT

Teaching is not a one-way traffic. It is equally important to see that whatever is communicated has actually been grasped at the other end in its right spirit. The traditional proven method to test this is to conduct an examination and then assess the performance of the recipients i.e. the students. In this paper an attempt has been made to examine the issues relating to framing a model question paper of accountancy.

Setting (framing) of a 'good question paper' and the fair 'assessment' are two sides of the same coin. If the question paper set is not a balanced one or deviates from the prescribed syllabi, the hard work and sincere efforts put in by both - the faculty and the deserving students are wasted. In so doing we are committing an academic sin for which there is no punishment. It is really a frustrating situation. Primarily it is the pious duty of the universities and academic institutions to prepare and train the teachers so that they become competent in framing of balanced papers and that the students' community gets justice. On the other hand the teachers are also not to shirk their responsibilities. They must come forward to insist and compel the academic institutions to create an effective mechanism to address the issue. Teachers as a class ought to justify the trust the society has put in them.

Even if we have accepted this field as a profession, are we not bound to play our role sincerely, efficiently and without any lethargy on our part? My earnest advice to all my fellow teachers is that the work of 'setting' (framing) and 'assessment' must not be linked in any way with monetary gain. In the long run, our responsible attitude in these matters will benefit us substantially which is not at all comparable with whatever meager monetary gains we are having at present.

I firmly believe that this work of 'paper-setting' and 'assessment' must be made compulsory as a part of our duty. First of all, a teacher must be properly trained and then only must be made accountable for his work. An appropriate mechanism is required to be introduced to make all concerned parties truly accountable to their duties.

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Let me very humbly make an appeal to all my fellow teachers to come forward and discuss the way out to solve this problem. Time is fast running out and we will be held responsible for this sorry state of affairs. No excuses or blame-game will work in our favour.

Keeping in mind the above aims (based on my observations and painful feelings gathered from teaching experience of more than 40 years); I would now like to discuss the main ingredients (aspects) of framing of a 'Model Question Paper'.

[A] Meaning of a 'Model Question Paper'

The paper-setter must be absolutely clear about the meaning of a Model Question Paper. It is neither an 'Ideal Paper' (conforming to an ultimate standard of perfection or excellence) nor a 'Lopsided Paper' (turned or twisted toward one side). It should be a 'balanced paper' considering the following characteristics:

(a) An inclusive paper: It must earnestly try to cover the entire syllabus

The paper must be representative in the sense that all the areas are given due weightage according to the prescribed syllabus. If only full length questions are framed, the paper-setter will be unable to incorporate the entire syllabus. Sometimes such questions are more time consuming.

Inclusion of all the areas is possible only either

(i) by asking more questions like (1) or (1), (2) or (2) etc or

(ii) by framing small questions. Option (ii) seems to be better in this regard.

(b) A moderate paper (being within reasonable or average limits; not excessive or extreme)

It must not be a 'really difficult paper' which even brightest students / teachers are unable to attempt correctly within the stipulated time frame. On the other hand it must not be a 'very simple paper' either, which even a student of 'below average caliber' is able to attempt to get equal to or more than average marks. It must be somewhere in between these two extremes - preferably on the right side from the centre of these two points.

(c) A non-repetitive paper (not consisting of or derived from tradition)

Paper-setters are normally tempted to go on setting repetitive papers to save their time at the cost of hampering the examinees' zeal to study more sincerely and creating a 'lethargic' (not so efficient) attitude on the part of the teachers. It has a very negative effect on both the parties. In repetitive-type papers the pattern is already known to the students and they are made to understand that a particular topic is going to be asked in option to another particular topic. Most of the students would prefer and try to prepare any one of these two topics properly and would be tempted to skip several other topics. Even the bright students would be tempted to avoid a few topics to score more marks by devoting more time to another topic. This will also affect their further performance.

(d) ***A paper to provide justice (the quality of being just or fair) to really deserving students***

There must be enough scope for a bright and studious student to get ample reward for his hard work. There must be at least 20% questions, though not so difficult, which would really test the basic understanding of the fundamentals of the topic. Only those students, who have taken pains to understand and digest these fundamentals, would be in a position to attempt them correctly. If this is not provided in the paper, the deserving students would feel disappointed and that would be considered an inexcusable injustice to such students. Nation's future depends on real quality and not on mediocracy.

(e) ***A paper to provide incentive (a positive motivational influence) to all types of students***

There must be enough scope for the students, who have sincerely tried to grasp the fundamentals, to improve their performance in future. It means that at least 50% questions must be such which can be attempted (fully correct or partly correct) by the average caliber students. It would provide encouragement and boost up their urge to prepare and perform better in the subsequent encounters. In future they would be preparing the subject with more confidence.

Creative and inspirational teachers motivate their students to learn by using their personal qualities, their positive experiences and their excellent communication skills. They know that knowledge is one of our main purposes in life.

(f) ***A slightly innovative paper (ahead of the times)***

in a sense that style of asking any one question is routinely changed/modified to have a little surprise element. Utmost care must be taken by the paper-setter in this regard and must not ask vague, ambiguous or irrelevant questions in the name of innovation. A feeling must not develop in the minds of the students that it is beyond their reach. On the contrary they must feel enthused and confident that they are able to cope with such changes made in the style. It would be a type of encouragement to study and understand basic fundamentals in their right spirit instead of preferring to cram up only few aspects of the topic. Remember that whenever such changes are made, the question selected for this purpose must be quite simple and must relate to very basic concepts of the topic.

(g) ***Not a lengthy or a time-consuming paper***

Lengthy (tediously protracted) paper, even if it is simple, would create some tension in the minds of the students. For example in a question on final accounts, too many items of same type of expenses and incomes would not serve the purpose. If these items are reduced to a minimum required and more emphasis is given to adjustments, the paper would not look lengthy. Remember that one must include only pin-pointed items which are required to be tested. Do not try to include all types of adjustments of your choice only in one question. If a particular point is already included in one question, it should not be repeated in another question. If calculation is required to be made by the students to find out some missing data, restrict that style only to one or two questions.

If the university paper carries total 100 marks and the total time allowed is 180 minutes (3 hours), time allowed per mark must not exceed 1.80 minutes. It means that a 'good student' (means a student of slightly above average caliber) must be in a position to attempt a question carrying approximately 20 marks in not more than 30 to 35 minutes time. To measure this time factor, a paper-setter must properly (means with all necessary workings, notes etc expected from an examinee) attempt each question immediately after it is framed and record the time taken by him. As he is an expert who knows the subject in depth and has framed the question, he has not to devote any extra time to understand, explore and devise a proper approach to deal with the situation, he must be able to attempt the question in just slightly more than half the time (but never more than 2/3rd) as against the time to be allowed to the students. Only this would be considered an 'appropriate test' for determining the time factor.

[B] Things to refer before actually framing a 'Model Question Paper'

(1) Contents of the syllabus

Study the syllabus carefully and note down the different topics covered in it. For example, Advanced Accounting and Auditing Paper IV of Third Year B. Com. course of Gujarat University contains:

(1) Process Costing
(2) Marginal Costing
(3) Meaning of 'Decision-making terms'
(4) Standard Costing
(5) Budgetary Control
(6) Capital Budgeting and
(7) Leverages.

(2) Contents/length of the topics

Study the contents/length of each topic with a view to determine how much emphasis is to be given to each topic. It is better to prepare a list of basic and advanced level concepts included in the topics. Also consider their relative and sequential importance so that the paper-setter becomes conscious about the things to be asked with reference to the level of the students. At under-graduation level proportion of basic fundamentals must be around four to five times to advanced level fundamentals (the implementation of which is expected at post graduation level). At this lower stage the students are required only to acquaint themselves with such advanced level fundamentals. For example, Process Costing topic covers a variety of concepts like types of losses, joint products and by-products, inter-process profit, equivalent products etc. In case of 'Equivalent Production', the points relating to the exact stage of inspection for the purpose of removal of waste and sub-standard units and its rectification are considered advanced level fundamentals, which are not expected to be studied at this level. Standard Costing chapter covers computation of only cost variances: Material cost, Labour cost and Overhead cost variances. In case of overhead variances the standard rate of absorption must have been based on labour hours. Interpretation of variances and/or ascertaining the missing data is not expected at under-graduation level.

(3) Weightage/allotment of marks and notes specified in the syllabus

For example the 'allotment criteria' given for Advanced Accounting and Auditing Paper IV of T.Y B.Com course of Gujarat University is as under:

(i)	Multiple Choice Question (divided into 5 sub-questions) - from the entire syllabus	:	20% marks (Fixed)
(ii)	Practical problems - from (1) Process Costing and (2) Marginal Costing	:	35% marks (Minimum)
(iii)	Practical problems - from (4) Budgets and Budgetary Control (5) Standard Costing & Variance Analysis, (6) Capital Budgeting and (7) Leverages	:	35% marks (Minimum)
(iv)	Theoretical questions - from the entire syllabus	:	10% marks (Maximum)

Caution

(a) One of the notes given as a part of the prescribed syllabus clearly states that questions from topics (1) and (2) shall not to be asked in option of topics (4) to (7).

(b) Similarly, no full length problems are to be asked from the topic (3) on 'Decisional Terms'. Only small objective type questions may be asked to test the theoretical understanding of the terms. Each such objective question must relate to one or at the most two decisional terms included in the topic.

(c) Purely theoretical questions (from any topic) must be restricted to 10% of total marks.

(4) Multiple Choice Questions (divided into 5 sub-questions)

As a fixed weightage of 20% is provided to this compulsory question, it needs a special attention. **'Divided into 5 sub-questions'** means that all the 5 sub-questions must be made compulsory. There is no point in providing general option in these sub-questions. At the most a paper-setter may provide internal options in these sub-questions. With a view to have wide coverage of the syllabus, try to select those concepts which are not going to be covered in the problems / questions to be selected from topics [(1), (2) & (4) to (7)].

Let us now try to understand the proper background and basics of preparing such 'multiple choice questions' - leading towards a more meaningful and rewarding experience of paper-setting:

(i) **No lengthy question:** The questions must not be too lengthy; otherwise there would not remain any difference between 'multiple choice questions' and the problems or essay-type questions.

(ii) **Number of concepts:** Ideally, only one (preferred) or two basic concepts may be included in one such question. Inclusion of more concepts in a single question may create confusion and distort the purpose of these efforts.

(iii) **No direct or simple question:** The questions must not be so simple and direct that even a student with 'below average capability' (or a student who prepares the topic half-heartedly) is in a position to select the correct answer. It will frustrate the bright students who made all out efforts with the goal of conquering their battle for securing a better career.

(iv) **Testing of understanding rather than computational skill:** The questions must be framed with an objective of testing students' understanding of the concept rather than their computational skill. Emphasis on complex calculations may consume more time and the main purpose is not satisfied.

(v) **No ambiguity:** There must not be any ambiguity either in the 'given data' (question) or in the 'options provided' (answers) for selection of only correct answer.

(vi) **No possibility of any other answer:** Options must be framed in such a way that there is not the slightest possibility of any other correct answer, other than the one included in the given answers.

(vii) **Avoid controversial items:** Controversial items or items with accepted alternative approaches must be avoided. There must not remain any scope of challenging the data and the given correct answer.

(viii) **Temptation to choose incorrect answer:** 'Wrong options' must be selected very cautiously so that those students who have not prepared well may not get undue advantage by making simple guesswork. Such 'wrong options' might look like correct option unless the student has studied the concepts in depth.

(ix) **Number of options:** Number of options must not be less than three. Ideal situation is to provide 4 options. Giving only two answers is meaningless.

(5) No discrepancy in two versions

It is very essential that there must not remain the slightest discrepancy in two versions (English and Vernacular language) of the paper. Carelessness in this regard will create many problems not only in the Examination Hall but also at the time of assessment. The paper-setter must very carefully compare each and every sentence and figures written in both the versions. Try to avoid such English terminology whose exact Vernacular language word is not available or known to us and therefore, it is better not to opt for free translation of English word into Vernacular language.

[C] Preparing Model Question Papers

Now the actual work of framing of Model Question Paper can be taken up. Remember that immediately after framing a particular question, one must prepare its solution along with its detailed (sub-division of total marks of the question with reference to each step involved) scheme of assessment.

[D] Different 'Formats' for framing of Multiple Choice Questions

In the light of the details given in earlier paragraphs, I am now providing some of the sample 'Formats' for framing of Multiple Choice Questions.

FORMAT – 1 : Multiple Choice Questions

In the following sub-questions, more than one answer is given, of which only one answer is correct. You have to select the correct answer supported by necessary workings / explanatory notes.

1. Which of the following statements is correct?

(i)
(ii)
(iii)
(iv)

Provide only **one** correct statement

FORMAT – 2 : Multiple Choice Questions

In the following sub-questions, more than one answer is given, of which only one answer is correct. You have to select the correct answer supported by necessary workings / explanatory notes.

2. Which of the following statements is not correct?

(i)
(ii)
(iii)
(iv)

Provide only three correct statement

FORMAT – 3 : Multiple Choice Questions

In the following sub-questions, more than one answer is given, of which only one answer is correct. You have to select the correct answer supported by necessary workings / explanatory notes.

3. Which of the following statements are correct?

(1)
(2)
(3)
(4)

Provide three correct statements and one incorrect statement

OR

Two correct statements and two incorrect statements

- (i) (1), (2) and (3);
- (ii) (1), (2) and (4);
- (iii) (1), (3) and (4);
- (iv) (2), (3) and (4).

FORMAT – 4 : Multiple Choice Questions

In the following sub-questions, more than one answer is given, of which only one answer is correct. You have to select the correct answer supported by necessary workings / explanatory notes.

4. Which of the following statements are not correct?

(1)
(2)
(3)
(4)

Provide one correct statements and three incorrect statement

OR

Two correct statements and two incorrect statements

- (i) (1), (2) and (3);
- (ii) (1), (2) and (4);
- (iii) (1), (3) and (4);
- (iv) (2), (3) and (4).

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COMPETITIVE PERSPECTIVE OF FOREIGN BANKS IN INDIA: STRATEGIES AND TRENDS

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ABSTRACT

The foray of foreign banks in India is no more a new phenomena to the Indian Economy. With incomes of foreign banks reaching close to the 350 million rupee mark, the Indian Banking Sector is being watched with great interest. The first part of this paper presents a competitive analysis of foreign banks in India based on their past performances and the upcoming trends in the national economy. The second part of the paper presents regression analyses of the human resource dimension of foreign banks where in an interesting observation has been reported that shows that the growth in number of employees exhibit a linear trend, while the business per employee follows a quadratic trend and the deposits following an exponential trend suggesting that the profitability as well as the market share of the foreign banks can be expected to grow very fast.

1. Introduction

Banking in India has traditionally been a highly protected industry. The industry has reaped good benefits as an out come of regulated deposits and lending rates. Ban on the entry of foreign banks has also helped the cause over the years. In the year 2009, foreign banks will get the opportunity to acquire local private sector banks. This would change the banking sector in a big way (Business India 2005).

The Indian banking industry is made up of 28 public sector banks, 30 foreign banks and 29 private banks, excluding cooperative banks and regional rural banks. Till now the foreign banks in India have been marginal players focusing on the niche markets and financial derivatives. With the coming of the Globalization era, foreign banks in India have started to make inroads in to the Indian Economy. The banking and financial sector in India underwent a significant liberalization process in the early 1990s, which led to reforms in the banking and financial sector and changed the Indian banking structure (Singh and Kohli 2006). Report of Price Water House Coopers, a lading international consultancy firm, shows that the foreign banks in the Indian market, envisage an organic growth of 20% per annum in the next 3 years.

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As a result of intensely building up of product strategy, the borderline between banking services, financial products, insurance and derivatives is breaking down. The expectations of the customer from its bankers has increased manifold, and the banks who are well adept to understanding the dynamics of the market will rule in the years to come. In the following text we analyze the competitiveness of foreign banks through a SWOT analysis (Strength, Weakness, Opportunities, Threat Profile). The paper is aimed to expose the strategies that the foreign banks can adopt in the future, and also the areas in which the Indian Counterparts can focus so as to gain a competitive edge over them.

2. Strengths

The entry of foreign banks in India has been a little different, than their entry in other developing countries. One of the major differentiator has been that though foreign banks have been traditionally cash rich they have yet to pose a substantial threat to their Indian counterparts. One of the reasons for this may be that they have yet to play upon their strengths. In the following section we discuss some of the major strengths these banks have that can be consequential in the Indian market-space.

2.1 *Global Brand Name*

Most Foreign Banks in India have a strong Global Brand Name. Citibank, Bank of America, Standard Chartered, ABN Amro, Hong Kong Bank, Deutsche Bank are some of the globally rated banks in India. With more economic reforms coming in and the opening up of our economy for international trade; these banks can foresee gains not only in terms of acquiring overseas clients, but also in charting out their growth strategy especially using Mergers and Acquisition.

2.2 *Technology and IT enabled operations*

Information Technology has long been allies of these banks, and most of their grand strategies are based on their strength in harnessing the power of Information Technology (IT). Strategic alliance with IT giants like Sun Microsystems, IBM, and Microsoft has added to their abilities to deliver operation specific tailor-made services. Partnerships with these organizations have also given the foreign banks an edge over their counterparts with reference to security which is amongst the most important issues in contemporary banking.

2.3 *Strong Market Focus*

Foreign Banks have always had a very strong business focus. Gradual privatization and well-developed financial markets seem to have contributed to Indian success (Sathye 2005).A survey by PWC shows that majority of the foreign banks have their services focused on Trade Financing, Corporate and investment banking, and corporate and institutional banking. All the three areas of operation are based on the movement of the stock-market. We can say that the foreign banks till now have played the role of a financial manager. One of the reasons can be that, they have a better understanding of market trends in comparison to their Indian counterparts, which is mainly because of the efficient use of IT and advanced analytical models. A trend has been witnessed over the last few quarters wherein deployment of funds towards advances has been highest by foreign banks followed by private sector banks. As at end FY05, foreign banks had a Credit-deposit ratio of 87.1% against 57% of PSU banks. This has largely been because of reallocation of assets by foreign banks from government securities to more lucrative projects. As the economy is poised to grow at a fast pace, enabled with changing lifestyle and greater purchasing power with the individuals in the coming years, the credit-deposit ratio is bound to grow. The Strong Market focus of these banks can also be seen by observing the credit-deposit ratio. We can see that for most foreign banks it is very high e.g. 84.6 for Standard Charter (FY2006) and 87.62 for Citibank (FY2006). On the contrary for Indian Banks it is comparatively Low e.g. 68.84 for State Bank of India (FY 2006) and 56.38 for Central Bank (FY 2006).

2.4 *Better Asset Management*

Foreign Banks have been managing their assets better than their Indian counterparts, which is evident from the table given below. The Non Performing Assets of these banks have been declining at a healthy rate every year and are also the lowest amongst all the banks. Comparatively the PSU banks and the Scheduled banks are more than twice that of the foreign banks.

Table 1
Year wise Gross and Net NPA as percentage of
Gross and Net Advances of Foreign Banks Vis-a Vis other banks in India.

	Gross NPA (%)					Net NPA (%)				
	FY02	FY03	FY04	FY05	FY06	FY02	FY03	FY04	FY05	FY06
Scheduled	10.4	8.8	7.2	5.2	3.3	5.5	4.4	2.9	2	1.2
PSU Banks	11.1	9.4	7.8	5.7	3.7	5.8	4.5	3	2.1	1.3
Old Pvt. Banks	11	8.9	7.6	6	4.3	7.1	5.5	3.8	2.7	1.6
New Pvt. Banks	8.9	7.6	5	3.6	1.7	4.9	4.6	2.4	1.9	0.8
Foreign Banks	5.4	5.3	4.6	2.8	1.9	1.9	1.8	1.5	0.9	0.8

(Source: rbi.org.in table64)

2.5 *High Profitability*

Foreign Banks have been highly profitable during their past. Their record of profitability gives them a favorable image amongst their customers and shareholders alike. Banking sector is still very much government owned in India, banks that show high profitability are the ones who will have a better chance of surviving in the long run. Profitability of Foreign Banks over their Indian counterparts is given in the table 2.

Table 2

Year wise Net Profits of Indian and Foreign Banks (Source:rbi.org.in tableB6)

Name of the Bank	Net Profit (2005) Amount in Rs Lakh	Net Profit (2006) Amount in Rs Lakh	Annual Growth Rate of Profit
State Bank of India & its Associates	567586	595648	4.9 %
Nationalized Banks	976656	1058217	8.3%
Other Scheduled Commercial Banks	353339	498521	41%
Foreign Banks	198237	306860	54.7%

2.6 *Low Manpower and operating Cost*

Foreign Banks enjoy a very low Manpower and Operating Cost. IT and the area of their operations are one of the major factors that attribute to this factor. Many Human Resource experts also argue that the presence of a profit centric work culture is mainly responsible for the low operating cost.

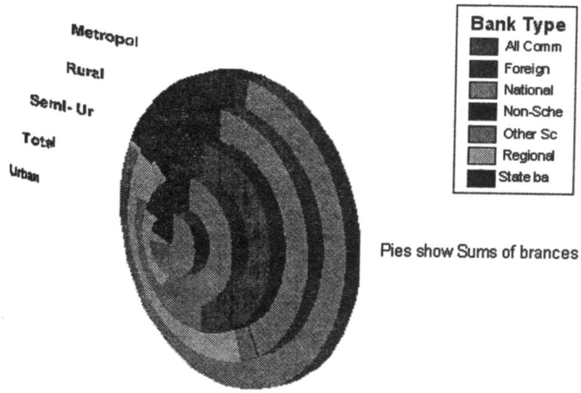
3. Weaknesses

Foreign banks may have considerable strength in especially in terms of their ability to leverage IT and at the same time keep their operating cost low. But inspite of this, foreign banks are not invincible. They have their own weaknesses largely in the areas of market penetration and public image. These are of interest from the point of the Indian Banks, as the retail sector which is amongst the fastest growing sector in the banking industry requires a strong local presence and public acceptance.

3.1 *Low penetration*

Foreign banks are still a phenomenon that happens in big cities. This is a common metaphor associated with foreign banks. Graph 1 given below shows the location wise distribution of bank offices in India. As can be observed from the data given below, not only is the presence of foreign banks in India still marginal (less than 5% of the total commercial banks), their presence in rural areas is nil. And not only this, the presence of these banks in small towns which have the largest segment of growing consumer classes is negligible which is evident from the fact that only 5 foreign banks were opened were in the Urban areas.

Graph 1
Location group-wise distribution of offices opened



(Source:rbi.org.in table1.2)

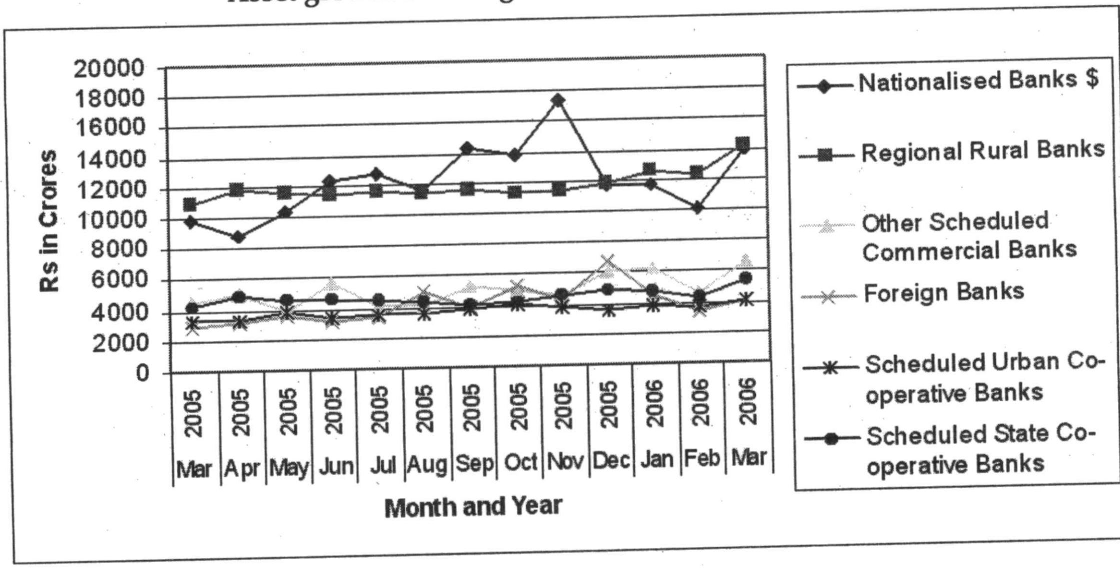
3.2 *Public image*

It has been observed by many experts in the banking industry (Pomerleano, M and G Vojta (2001): .What do foreign banks do in emerging markets? An institutional study, paper presented at the 3rd Annual World Bank, IMF and Brookings Financial Markets and Development Conference, New York, April.) that Historically, the pattern of international bank shareholdings followed that of the economic integration between countries: banks extended their services abroad in order to assist their home country customers in international transactions; with a growing understanding of the foreign market (in particular of regulatory and institutional aspects) and a developed network of relationships with local financial institutions, some banks were subsequently induced to increase the range of their operations and provide services to the local population This has led to a negative public image of foreign banks. The public in general look at these banks as a mere opportunistic venture on the part of these international banks.

3.3 *Low Asset Size*

PSU banks have historically captured the largest chunk of aggregate deposits. Since their inception, the foreign banks have steadily gained in terms of growth rate, however since the beginning of reforms they have not been able to make a considerable mark in terms of total assets. The graph 2 given below shows the monthwise distribution of total asset with the banking system. We can observe that the level of foreign banks is still very low and is in the same league as the cooperative banks.

Graph 2
Asset growth of Foreign-banks vis-a-vis Other Banks



(Data Source: rbi.org table2.2)

3.4 *High Cost of Borrowings*

Cost of Borrowings for foreign banks is still reasonably high at more than 3.5% in comparison the cost of borrowings enjoyed by PSU is less than 2.5%. Although this disparity will shortly be removed once the Basel-II norms are enforced in the Indian banking sector.

4. Opportunities

In the light of the strength the foreign banks possess, some of the opportunities that can emerge in the future are being discussed in the following section.

4.1 *Growing Retail Segment*

The retail segment is showing incredible growth rate. The low interest rate has spurred an increase in the housing loans and resulted increased the reach of the retail-banking segment. It results in the improvement of the banks bottom line because of the lower bad debts and higher margins. According to PWC the retail products most likely to see increased demand in the coming years are mortgages, credit cards and investment products. On the wholesale side, credit derivatives/structured products, other risk management products and the debt capital markets are all expected to grow. As per the same report foreign banks predict that the combined customer bases of 11.2 million will more than double to 25.8 million customers by 2008. In the same period residential mortgages will grow by 463% and credit cards by 142%.. Boston Consulting Group (BCG), in a report on opportunities for foreign banks, confirmed that with more than US$ 180 billion in long-term fixed deposits in banks and low penetration in the pension market, the opportunity for sustained double-digit growth is attractive. Obviously, expectations of foreign investors and multinational companies seeking to take advantage of the huge growth opportunities in India have risen.

4.2 *Wider Product Portfolio*

Foreign Banks till now have been mainly focusing on a few areas like Trade Financing, Corporate and investment banking, and corporate and institutional banking. Disposable income is fast rising because of a reduction in income tax and a fall in savings interest rates. Cars, white goods, computers and entertainment electronics suddenly have became more affordable as the government has steadily lowered tariff levels on both domestic and imported products. The major foreign banks have good opportunity, for introducing products and services focusing on specific consumer niches like credit cards and car loans.

4.3 *Agricultural Sector*

Agricultural sector has been one of the major drivers of the Indian economy since independence. Not only does this sector holds a large potential in terms of deposits but also has requirements for other financial products like loans and risk management products. Agricultural sector still remains largely untouched not only by foreign banks, but also by private banks alike. At present only 5% of agricultural produce is being financed in India. Of this, 80% is in retail and rest is in semi-wholesale and wholesale segments. Currently, we have around 150 mn households in rural India with an average borrowing capacity of Rs 6,000 per household, which creates a market in excess of Rs. 900 bn. There is a huge demand for the organized rural credit, as institutional credit is available only to one-third of the rural farmers and the remaining demand for credit is provided by moneylenders who charge exorbitant interest rates, ranging from as high as 50% to 100% p.a. However the scenario may soon change with the agricultural sector going through a phase of corporatisation, where large corporate leased farms are gaining presence in place of traditional family owned labour intensive small farms.

4.4 *Equity capital Markets*

The Indian equity market has been of interest to many foreign investors in the recent times. This has been buoyed by the excellent growth rate the markets have enjoyed in the past. Mutual Funds and Fund Management are investing more and more in to areas where earlier strict government control and an unstructured market form had discouraged foreign investors. With Indian capital markets performing far better than their Asian counterparts are fast becoming hot destinations for investors far and near. The FDI has increased 5 folds in 2006-07 in comparison to the levels in 2004-05.

4.5 *Credit Cards and Plastic Money*

Another significant factor for urban India is the growth of the outsourcing industry. This has led to a growing number of jobs becoming available for Indians aged 20-24, who would have otherwise struggled to find employment. Typically, this group lives at home with their parents and thus has a discretionary income that is disproportionately higher than their wages would suggest. This group mostly spends their disposable incomes on lifestyle products such as clothes, books, music and electronic gadgets. These groups are also most at ease with technology intensive products like debit cards, credit cards, ATM etc. Foreign Banks can use this segment to make entry in to the retail segment of the banking industry.

4.6 *Specialized leasing*

More innovative products are beginning to appear on the market, such as longer loan terms and new payment, leasing and refinancing options. Specialized leasing in areas such as infrastructure, transportation and mining hold great opportunities for the foreign banks.

4.7 *Mergers and acquisition*

Many Indian and foreign banks are looking at the inorganic route to gain size and reach. Historically, the scenario has been totally different due to lack of support from government wherein consolidation has been piecemeal with authorities assorting to mergers of troubled banks (GTB with OBC, Nedungadi Bank with PNB). Very few mergers were totally driven by business or purely commercial considerations (ING with Vysya, HDFC Bank with Times Bank).

4.8 *Small business sector*

India's small and medium enterprises (SME's) are a subject of global economy. It is estimated that they add to 70% of the Indian GDP. Till now the banking needs of these enterprises have been limited and they have been adequately met by the PSU banks. With the coming of Globalization and the policy changes made in the five-year plans, more and more of these organizations are looking at overseas opportunities for business. This has suddenly changed the banking requirement of these businesses which had since inception very little need for international banking operations.

5. Threats

Some of the major threats that foreign banks are liable to face in the coming times are:

5.1 *Domestic and Foreign Banks*

The foreign banks will have major threat from Indian Banks, who are all spruced up to meet the challenge posed to them by their foreign counterparts. Since India is one of the largest markets with an increasing but still less-than-world-average banking culture, it is enticing several large multinational players in banking sector which will compete with the existing banks to gain market share. Already Indian private banks like HDFC and ICICI are leading the way and are fairing far better than the foreign banks in areas of retail banking and deposits. The table 3 given below gives a clear picture of the performance of HDFC and ICICI in terms of deposits, investment and advances. It can be observed that the performance of Foreign Banks in these areas stand nowhere and a mere 2-3% of ICICI and 7-9% of HDFC.

Table 3
Performance of Selected Indian Banks and Foreign Banks(rbi.org)

	ICICI Bank	HDFC Bank	Foreign Banks	All Banks Average	Foreign Banks as % of ICICI	Foreign Banks as % of HDFC
Deposits	230510	68298	5200	33273	2.25586742	7.613692934
Investments	91258	30565	2464	11729	2.70003726	8.061508261
Advances	195866	46945	4357	24447	2.22448	9.281073597

5.2 *Mutual Funds and NBFC's*

The Mutual Fund Industry is growing rapidly and holds a great potential of untapped deposits. With the steady economic growth in the country, the salaried middle-class have shown a great liking to mutual fund investment as this hedges the risk of equity markets. Foreign Banks in the Indian Market are taking the NBFC route to increase presence and capture a market share (Patibandla 2006). They are trying to overcome the limitation on the less number of branches that can be opened in a year by foreign banks, through this route as there is no restriction on the number of branches and moreover these NBFCs are governed by less stringent rules. Eyeing this opportunity many Non-Banking Financial Companies (NBFC's) have started to float funds that can eventually make a dent in the overall deposits of the foreign banks. As per the reports of Wharton University on the NBFC sector in India, there are 436 deposit-taking NBFCs, of which 16 have asset sizes of over Rs. 500 crore ($112.5 million) and account for 49% of the aggregate deposits of the total NBFC sector. Then come another 2,615 non-deposit taking NBFCs, of which 104 have assets worth at least Rs. 100 crore each. These figures well explain the stiff competition foreign banks will face in increasing their market share.

5.3 *Economic Growth of the Country*

Industrial output grew by 11.5 per cent in 2006-07 helped by robust exports and the fastest growth in manufacturing in 10 years. The strong growth has put pressure on prices and annual inflation, measured by the wholesale price index, hit a two-year high of 6.69 per cent in January 2007.However the million dollar question here is, how long can India sustain this growth. Past has witnessed the vulnerability of the Indian Economy because of poor-harvest, international financial crisis, and internal political upheaval. Foreign Banks that are trying to consider long term strategies in the banking sector, must be cautious in their approach and not get too carried away by the spurt in the economic activity of the nation.

5.4 *Regulatory Policies and Norms*

A major threat to growth of foreign banks in India is the implementation of the Securitization Act. The banking industry will be adversely affected by the passing of Securitization Act. The banks will not be able to take severe and quick actions against defaulters. Thus, it will be difficult for the banks to get their money in case a person defaults. The RBI has raised short-term lending rates twice between January and June 2007, by a quarter of a percentage point each time to 7.75 per cent. This will tend to retard the growth of loans and can attribute to a major setback in the growth of foreign banks in India.

6. Future Trends

The future for foreign banks in India exhibits a very healthy trend. Although RBI (2003) stated that "as regards the linkage between ownership and performance, international evidence suggests that ownership has limited impact on economic efficiency." Studies that support this position include those of Tulkens (1993), Altunbus, Evans and Molynenx, (2000) and Denizer, Tarimcilar and Dinc (2000). All foreign banks are having their presence either in metros or urban areas. Out of the 280 branches that all the foreign banks have in India (till March 2006), almost 84% are in the metropolis, and 15 % in urban areas. Only 2 branches operate in semi-rural areas. Till now the foreign banks have been concentrating on high profit areas, as these have limited product offering. But with the liberalization of the economy as they increase operations, especially in the areas of retailing and agriculture sector, we can expect a spurt in the growth of these banks. Observing the graphs 3(a), 3(b) and 4 which shows the trend of business per employee, number of employees and the deposits we can see that the curve of number of employees shows a linear trend, while the business per employee shows a quadratic trend and the deposits exhibit an exponential trend, thus indicating that in the coming years with the increased operations by the foreign banks there will be a rapid growth in its market share because of quadratic growth in profitability and exponential growth of deposits with the banks.

6.1 *Employment and Business per Employee*

Time-series analysis of the data for the last 5 years show that as the employment in foreign banks will increase following a linear trend, the business per employee will increase in quadratic proportions and so will the profitability. This can be well seen from the table 4 which shows the correlation coefficients between number of employees, business per employee and profit per employee. The regression curve equations along with the model summary for business per employee and number of employees are given as equations (1) and (2). We can observe from the model summary statistics that both the equations fit well with the data.

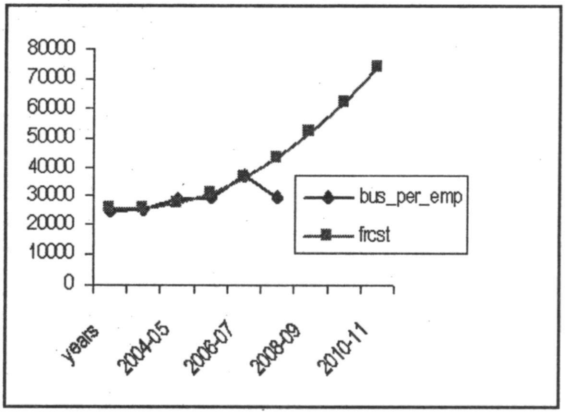
$$Y_{Bus\_per\_emp} = 26544.454 - 2091.58x + 815.008x^2 \quad \ldots\ldots (1)$$

(MulR=.98251, adj R^2 = .93063, F value is 27.832 with P=.034)

$$Y_{num\_emp} = 6317 + 5126.4x \quad \ldots\ldots (2)$$

(R=.989, R2 = .978, F value is 133.154 with P=.01)

Graph 3(a)
Forecast for business per employee



Graph 3(b)
Linear Forecast for number of employee

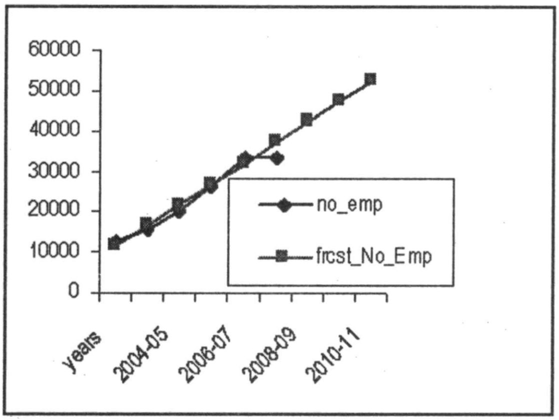


Table 4
Correlation Coefficients between number of employees, business per employee and profit per employee in Foreign Banks

Pearsons Correlation	Number of Employees	Business Per Employee	Profit per employee
Number of Employees	1	0.962**	0.849
Business Per Employee	0.962**	1	0.934*
Profit per employee	0.849	0.934*	1

**Correlation is significant at the 0.01 level (2-tailed). * Correlation is significant at the 0.05 level (2-tailed).

6.2 *Deposits and Gain in Market Share*

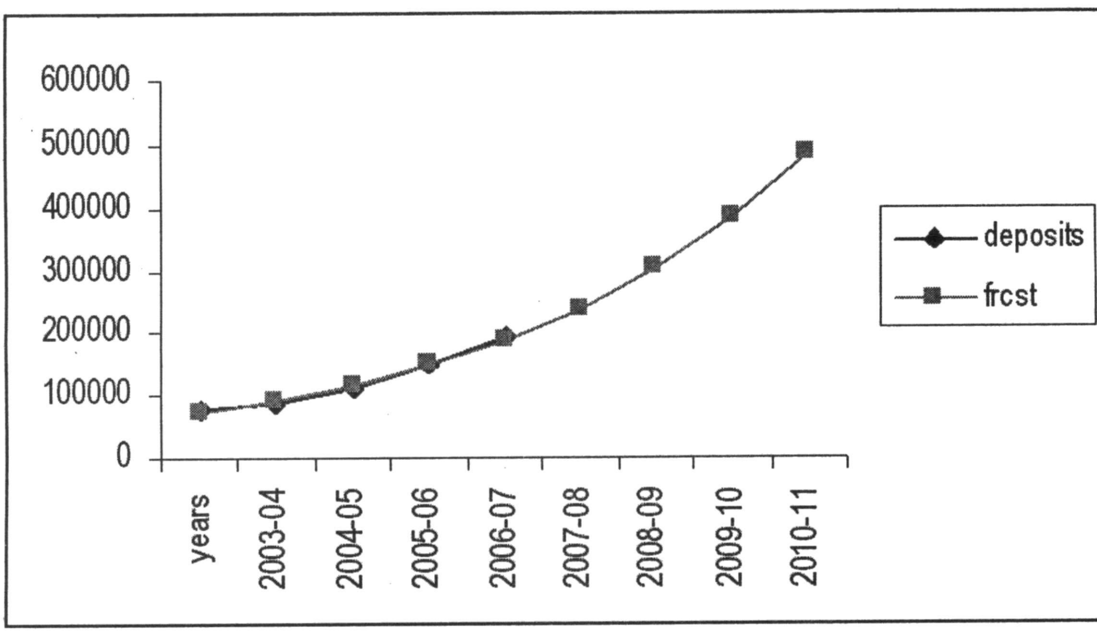
Another interesting trend that is observed is that of the deposits which follows an exponential growth path as shown in graph 3 and represented by the equation 3 with the model summary. We can observe from the model summary statistics that the equation fits well with the data. This trend indicates that in the years to come foreign banks will hold a large proportion of the deposits and also a substantial share in the Indian Banking Industry. With international economic trends exhibiting a slowdown, one can expect the foreign banks to emerge as a formidable competitor in the Indian Banking industry.

$$Ydeposits = 55993.375e^{.2403x} \quad \ldots\ldots (3)$$

(MulR=.98964, adj R2 = .97251, F value is 142.50 with P=.013)

Graph 4

Exponential Growth curve of deposits of foreign banks



7. Conclusions

Entry of foreign banks in India has brought in mixed responses from different sectors. On one side there is optimism in the form of overall improvement in the delivery of services and specialized product. While on the other there is pessimism and caution because of the experiences other developing economies have had because of the lack of social commitment on the part of these banks. Whatever it may be, but the going on Indian turfs is definitely not a bed of roses. The Indian counterparts have got their bastions all geared up to face the challenge head on. But one thing that we all can be sure of is that the foreign banks are here to stay, how profitable they would be in the future largely depends upon their strategy build up and their ability to play on their strengths.

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BOOK REVIEWS

Corporate Misgovernanve

Publisher: IAA Research Foundation, Calcutta
Author: P. Chattopadhyay, Year: 2008, Price: Rs. 300, Pages: 228

'Corporate Misgovernance' a research project by Prof. P. Chattopadhyay has endeavoured to assess where the official and professional steps have gone wrong. A large number of instances of deceptive practices are coming up receiving in reputed companies. The work is divided into seven chapters with a type script size of 228 pages. First chapter is all about the weedy grounds of corporate practices. Chapter two describes the muddled thinking and mixed-up issues of companies and society and questions the whole concept of corporate governance as an unnecessary addendum that is all costs and almost no benefits. In Chapter three Market Capitalisation has been described in Indian context. In India, the concept has gained considerably fresh ground since globalization and liberalization. Factors influencing stock prices are well defined. Market capitalization releases numerous unwholesome forces that make the shareholders only a flitting identity. Monthly trends for a period of five years from 2000 to 2005 have been taken. It has revealed that attempts to find a relationship between market capitalization and corporate governance is farfetched, and tenuous, if not entirely irrelevant. Chapter four is highlighting the codes of corporate governance. Regarding codes of good governance, it is said, the fewer the number, the better the results. Various Infidel behaviour examples are described in chapter five. Examples of different companies like Mitsubishi Motors, Casino Capital etc. in countries like Japan, China, America, Europe and India etc. were cited. Subsequent two chapters show the details of the Enron and Worldcom stories and possible remedial measures have also been discussed.

Prof. Nageshwar Rao
Vice-Chancellor, U.P. Rajarshi Tandon Open University, Allahabad

Accounting Standards and the Standard Regime in India

Publishers: Indian Accounting Association Research Foundation
Author: A.K.Basu September, Year: 2008, Price: Rs. 300, Pages: 262

This book is the result of a research project done by Dr. A.K.Basu with the financial support of Indian Accounting Association Research foundation (IAARF), Calcutta headed by Prof. Bhabotosh Banerjee. The work was undertaken during 2004-2006. Based on the report submitted by Prof. Basu, IAARF brought in the form of a book during 2008. In this study authors have made an endeavor to offer an articulated series of reflections on the nature and significance of accounting standards, and on how these standards are established, enforced, and implemented. It consists of two parts. The first part deals with accounting standards in general and the second part deals with accounting standard regime in India.

This book is presented in eight chapters. The book covered the nature and purpose of accounting standards, explored and critically analyzed the processes of establishment and enforcement of accounting standards. It addressed global convergence of accounting standards by explaining the causes of international diversity in accounting standards and examines the circumstances that have resulted in the creation of a strong demand for the development of a common set of globally accepted accounting standards. It examined the accounting regulatory framework currently prevailing in India. It offered a summarized view of the conceptual framework by the Institute of Chartered Accountants of India (ICAI) and presented a brief description of the ICAI accounting standards currently in force.

An interesting feature of the book is, significant recent developments in respect of accounting standards in the countries that play a significant role in the world trade are given as Addendum. These countries include India, USA, Canada, China, Japan, and European Union. In India the ICAI has issued Thirty two accounting standards. While 29 standards are known, AS30 - 32 are related to financial instruments. With the issue of these standards the gap between the international standards and the Indian GAAP has further narrowed. While US GAAP is rule based, IFRB standards are principle based. Many of the chartered accountant firms in US are of the opinion that principle based standards may lead to different interpretations and differing interpretations may lead US companies to be entangled in Courts. However, IFRB representatives do not agree to this. Since many of the European countries and South Eastern countries are in favor IFRB, world wide accepted standards are likely to become a reality by 2011. Till that time convergence appears inevitable. This book is worth reading not only by researchers, but also by all postgraduate students and practicing chartered accountants.

Dr. K.V. Achalapati
Faculty of Commerce, Osmania University, Hyderabad

International Accounting

Publisher: Prentice-Hall of India, New Delhi
Author: Professor Shirin Rathore, Second Edition, Year: 2009, Price: Rs. 350, Pages : 484

At a time when academicians and practitioners of accounting of nearly 150 countries of the world are anxiously looking for the adoption of International standards of accounting by the year 2011, the thoroughly revised 2nd edition of 'International Accounting' by Professor Shirin Rathore will update the skills and knowledge of the teachers, accountants and students. The book examines both financial and management areas of accounting in lucid style. The illustrations, case problems and the excerpts from the Annual Reports and Audit Reports of the companies given in the book, make the book not only user friendly but also add immensely to the knowledge of the readers of the book.

The book is divided into 3 parts. Part 1 on introduction gives an overview of the international accounting and international audit environment. Status of International Accounting Education contained in Chapter 1 should prove highly beneficial to the aspiring students of accounting. A survey of the accounting and auditing profession in the U.S.A., U.K. Japan, Canada, Germany, China and India given in Chapter 2 of the book will certainly enrich the knowledge of the professionals of accounting.

Part 2 of the book has chapters on Foreign Currency Translations, Business Combinations and Consolidations, International Financial Reporting and Disclosure. The pronouncements and practices in select countries of the world in each chapter make the contents truly international. A full chapter is devoted to standard setting in India which also lays down the summary of Indian Accounting Standards issued by the Institute of Chartered Accountants of India. A comparative analysis of IFRS and Indian GAAP discussed in the book would go a long way for the practitioners in facilitating the adoption of International Standards of Accounting.

Part 3 of the book contains international management accounting issues. What is commendable is the pain with which the author has brought out the transfer pricing provisions in major countries of the world which are given in Chapter 9 of the book. The practitioners of Income Tax will find Chapter 10 particularly useful, where the author has given the background of double taxation and double tax avoidance agreements. A list of double tax avoidance agreements in India and the broad features are explained at length. The topic describing 'tax heaven' is especially interesting. While foreign exchange risk management is a favorite topic of the books on accounting and finance, the accounting treatment of financial derivatives explained in the Chapter 12 of the books is the first of its kind especially in India where financial derivatives have been introduced only very recently.

The major issues in performance evaluation of multinational firms (given in Chapter 11) and the complexities involved in analyzing the global financial statements (Chapter 13) included in the book are well presented with the illustrations and are much relevant in the era of globalization.

The remarks by Paul Garner, Dean and Professor Emeritus University of Alabama given in the Preface of book 'this book is the first of its kind by an Indian author and will fill a long gap in the literature of the entire accounting field' augurs well with the contents of the book. The book authored by a person who herself is the President of Indian Accounting Association and devoted to the field of accounting throughout her chequered career needs all commendation from the academic world.

Anil Kumar
Shri Ram College of Commerce, University of Delhi

Advanced Accounting: Theory, Method and Application

Publisher: Sultan Chand & Sons
Author: R.L. Gupta and M. Radhaswamy, Year: 2009; Price: Rs. 525

The book has been thoroughly updated and revised to reflect the theoretical foundation for preparation and presentation of financial statements. Conscientious efforts have been made to ensure the precision and relevancy of the new edition.

The book has solved and unsolved problems which help the students to understand complexity of the issues

This book is divided in seven major sections. Section I provides Conceptual Framework of General purpose financial statements, Accounting Principles, Income Measurements and Balance Sheet. Section II concentrates on Average Due Date and Account Current, Self Balancing and Sectional Balancing System, Accounting for Non Profit Organizations, Farm Accounts, Investment Accounts, Insolvency Accounts, and Branch Accounting etc. Section III provides a detailed description of Partnership Accounts. Section IV covers comprehensive explanation of Company Accounts. Section V integrates Bank Account, Insurance Company Account and Account for Electricity Company. Section VI gives a detailed description of Statement of Cash Flow and Last Section of the book provides introduction and compilation of Government Accounting. All the Chapters have been thoroughly revised.

Dr. Praveena Dahane
Reader, Mahakal Institute of Management, Ujjain

IAA NEWS

Minutes of Annual General Meeting of IAA held at Ahmedabad on 23.11.08

1. Considered and approved the minutes of AGM held at Jodhpur.
2. Considered and approved the accounts of IAA.
3. Considered the proposals of Gwalior,Udaipur,Hyderabad,Bilaspur and Jaipur to host the 32nd Conference. Resolved to Approve the proposal of Gwalior Branch to host 32nd Conference, with Prof. Umesh Holani as Conference Secretary.
4. Resolved to conduct National IAA Talent Search Examination with Prof. G. Soral as Coordinator and Prof. Prof. Shirin Rathore; Prof. K. Eresi and Prof. Sugan Chand Jain as members of organizing committee to this effect.
5. Resolved to congratulate Prof. Nageswara Rao on becoming ViceChancellor of Allahabad Open University, while the members expressed their happiness with a standing ovation.
6. Resolved to place on record for the excellent work done by Shri AS Durga Prasad in the Design and Development of IAA Webside-- http://www.indianaccounting.in
7. Resolved to approve the following topics for the 32nd Annual Conference:

   International Seminar on Accounting Education and Research:
   Interface among Industry, Profession and Academia
   With Prof. PK Rathod as Chairman & Prof. K. Ramakrishnaiah as Cochairman

   - Technical Session-I: Accounting for Intangible Assets
     With Shri AS Durga Prasad as Chairman & Dr Malayendu Saha as Cochairman
   - Technical Session - II: Changing Scenario of Taxation in India
     With Prof. J.K. Parida as Chairman & Dr. Sunil Gandhi as Cochairman
   - Technical Session - III: Accounting for Financial Instruments
     With Prof. Soral as Chairman & Prof. Daksha Gohil as Cochairman
8. Resolved to review the Papers received by a Technical Committee. Only papers of reasonable standard should be accepted and the remaining may be rejected. This should be explicitly notified in the Conference Brochure. The accepted papers may be classified into two categories viz., (i) High Quality papers for presentation upto twelve minutes; and (ii) Satisfactory papers for presentation of only abstracts upto three minutes.
9. Discussed about the status of Accounting Education in India as offered by various Universities & Professional bodies and resolved to appeal to the appropriate bodies for according Technical Education Status to Accounting Education.
10. The general house elected Prof. YP Singh and Prof. Ranjan K. Bal for the panel to nominate Jr.Vice President, u/s 9C of IAA Constitution. On the nomination of the House panel, the house uninamously elected Prof. Harish S Ozah as the Jr. Vice President. Consequently, Prof. GL Dave has become the Sr.VicePresident and Prof. Shirin Rathore has become the President of IAA u/s 9.
11. The general house elected Prof. VK Mohan; Prof SS Modi; Dr Hitesh J Shukla; Dr Ajay Soni and Dr Basav Raj to the Executive for a period of three years besides copting Prof. Umesh Holani the 32nd Conference Secretary for a period of one year.

The meeting concluded with a vote of thanks to the Chair.

PROF. D. PRABHAKARA RAO
General Secretary

Minutes of Speical General Meeting of IAA held at Ahmedabad on 23.11.08

Members discussed at length on the issue of Constitutional Amendment regarding the relection for the positions of General Secretary, Treasurer and Chief Editor vide Section 9 (d) of the IAA constitution. It is resolved that there is "no need to amend the constitution". The meeting concluded with a vote of thanks to the Chair.

PROF. D. PRABHAKARA RAO
General Secretary

IAA EXECUTIVE COMMITTEE - 2009

Felicitation of Prof. Shirin Rathore

A function was held on December 19, 2008 at Delhi University to felicitate Prof. Shirin Rathore on her becoming President, Indian Accounting Association. The function was presided over by Prof. Deepak Pental, Vice-Chancellor Delhi University. The august gathering was pleased to hear that Prof. Shirin Rathore is the first lady to occupy the coveted position since the inception of Indian Accounting Association. It's a matter of honour that Prof. Shirin Rathore has been honoured with the prestigious Emeritus Professor membership of American Accounting Association. The occasion was also marked by the presentation of her latest book 'International Accounting' published by Prentice Hall of India to the Hon'ble Vice-Chancellor. The book was released in November 2008 at the Ahmedabad conference of IAA.

Anil Kumar
Additional Secretary, Indian Accounting Association, Delhi Chapter

Report of the National Seminar on "Ethics in Accounting"

Organized by I.A.A., Midnapore Branch

A national seminar was organized by Indian Accounting Association, Midnapore Branch in association with Alphia Institute of Business Management, Kolkata at Turiyananda Hall of Ramakrishna Mission Institute of Culture, Golpark, Kolkata on 8th November, 2008. The theme of the seminar has been "Ethics in Accounting" with three technical sessions. The seminar was inaugurated by Prof. Swapan Kr. Pramanick, Hon'ble Vice Chancellor, Vidyasagar University, Midnapore. Prof. Amit Mallik, former Vice Chancellor, University of Burdwan, and President, Indian Accounting Association, Midnapore Branch chaired the programme. Prof. Nageshwar Rao, Hon'ble Vice Chancellor, U.P. Rajarshi Tandon Open University, Allahabad, a former President of Indian Accounting Association and Editor, Indian Journal of Accounting addressed the seminar as Chief Guest and also chaired a technical session later on "Ethical issues in Corporate Governance". Mr. Kunal Banerjee, President, ICWAI. addressed as Guest of Honour. A Life Members' Directory (of 97 life members) was released in this occasion by Prof. Nageshwar Rao. Dr. J. B. Sarker, former Secretary, I.A.A., Calcutta Branch and an architect of I.A.A.'s growth in this part of our country was felicitated in absentia. Many of the members recollected his contribution in this occasion.

Prof. Gokul Ch. Sinha, retired from University of Calcutta chaired the first technical session. Mr. Rahul Roy, Director, Ernst & Young (India) Ltd. and former President, Institute of Chartered Accountants of India, in his key note address in the first technical session highlighted about framework issues and specific issues of accounting drawing their relationship to ethical issues. Prof. Ashok Banerjee, Professor of Finance and Control, I.I.M. Calcutta delivered the second key note address in the first technical session and highlighted about the three risks being faced by all business entities. Dr. Susanta Mitra from Khandra College and Mr. Sanatan Pal from Alphia Institute of Business Management presented their papers

Prof. Uttam Kr. Dutta, Professor of Commerce, University of Burdwan, in his key note address in the second technical session stressed on the higher expectation and greed resulting in recent economic crisis across the world. Dr. Siddhartha Sankar Saha of St. Xavier's (Autonomous) College, Mr. Anupam Parua from K. D. College of Commerce and General Studies, and Mr. Tarak Nath Sahu of Vidyasagar University presented their papers in the session which was chaired by Prof. Tarak Ch. Saha, retired from University of Burdwan.

Prof. Sudipti Banerjea, University of Calcutta, in his key note address in the third technical session highlighted various dimensions taking into consideration the two parameters of performance in corporate governance, namely skill and values. Mr. A. M. Pal, University of Calcutta, opined in his invited talk that not all the desirable behaviour can be captured through hard regulation and as a result, recourse is sought in promoting ethics not strictly relying on the principle of altruism, rather diluting to the driving forces of incentive and market mechanism. Prof. Debdas Ganguly, Dr. Somasri Mukhopadhyay and Mrs. Rathi Shankar of Alphia Institute of Business Management and Mr. Abhijit Sinha of Vidyasagar University presented their papers in the third technical session.

Prof. Shyamal Banerjee, former Professor, I.I.M. Calcutta and former President, I.C.W.A.I. gave the velidctory address. The seminar was attended by around one hundred delegates mostly from different colleges, institutes and universities of West Bengal. Mr. Subrata Mukherjee, Mugberia Gangadhar Mahavidyalaya was the Rapporteur and Mr. Abhijit Sinha, Vidyasagar University was the co-ordinator of the whole programme.

Prof. Arindam Gupta
Secretary, I.A.A., Midnapore Branch and Organizing Secretary

INDIAN ACCOUNTING ASSOCIATION

PAST SECRETARIES

IAA EXECUTIVE COMMITTEE - 2008

INDIAN JOURNAL OF ACCOUNTING

Indian Journal of Accounting is an official publication of Indian Accounting Association. It is published twice a year, in June and December respectively. The scope of journal encompasses all areas of Accounting including Auditing, Taxation, Management Accounting, Cost Accounting and Information System. Two copies of the manuscript for publication should be submitted by the author(s) along with summary has to be typed in double space. The article should not normally exceed 1500 words. Authors are requested to submit articles on disc (using any well known word-processing packages-Word Perfect, MS-Word etc.). Papers submitted for consideration in Indian Journal of Accounting should be accompanied by a declaration by the authors that they have not been published or submitted for publication elsewhere. Editorial decision regarding publication of articles will be communicated in 90 days' time. The name of the author(s) should not appear on the manuscript to facilitate blind review. Indian Journal of Accounting owns no responsibility for the views expressed by the author(s). For the book review to be included in the Journal, text books, reference books and research publications are considered. Two copies of each such publication should be submitted. All submissions and editorial enquiries should be addressed to The Chief Editor, Dr. Nageshwar Rao, Professor and Dean, Faculty of Management Studies, Pt. Jawaharlal Nehru Institute of Business Management, Vikram, University. Ujjain - 456010. Membership of the Indian Accounting Association (set up in 1970 vide reg. no. 429/68-69) is open to academics and professionals. Members are entitled to participate in the activities of the Association and receive a free copy of Indian Journal of Accounting and selected research publications. The membership subscription and rates of subscription of Journal are as under:

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This Journal is sent free of charge to all the members of Indian Accounting Association

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